CHAPTER 01

INTRODUCTION & OVERVIEW

Executive Mayor's Foreword to the Annual Report 2005/2006

It gives me great pleasure as the Executive Mayor of Buffalo City to present to the Council, the public at large, as well as our many stakeholders and partners, this Annual Report for the 2005/2006 financial year.

The financial year under review was a watershed for Buffalo City in a number of important respects.

Being an election year for local government, much of the year seemed to be taken up with the processes of political contention that characterise a healthy multi-party democracy. Much as this is a periodic necessity that serves to clarify and affirm the will of the people, we recognise also that we should never allow ourselves to be distracted from our core mandate, which is to build a better life for all of our people.

The local elections in April 2006 saw the majority party increase its support, notwithstanding dire predictions in the media that public confidence in the integrity, efficiency and effectiveness of the municipality was collapsing. I believe that this Annual Report illustrates the many good reasons why this should not be the case.

For most of the year under review, the municipality was under the leadership of the previous Executive Mayor, Sindisile Maclean. I want to pay a special tribute to my predecessor for the dignified and consultative example that he set in leading this municipality for the past five years. He has laid a foundation for participatory democracy on which we intend to build.

There can be no denying that the municipal administration had a difficult year. Notwithstanding the negative effect of this on the municipality's image, I am pleased to report that the administration had stabilised by the end of the financial year, and is now working in a committed fashion to serve the Council and its communities.

Our Annual Report is testimony to the fact that we have continued to wrestle with the challenges of maintaining standards of service-delivery and infrastructure in more privileged areas while also rolling out development of facilities and basic services in poorer communities. This is by no means a straightforward task in a context where the great majority of our people continue to live off very little, and our unemployment rate remains unacceptably high.

Notwithstanding the challenges, I look forward to my term of office with humility and determination to make a positive and measurable difference in the lives of all our people. Let us work together to translate the great potential of an age of hope in Buffalo City into reality.

N.C. Peter
Executive Mayor

Chapter 1: Introduction and Overview

POLITICAL STRUCTURE

In terms of Section 9(d) of the Municipal Structures Act 1988, Buffalo City Council has an Executive Mayoral System combined with a Ward Participatory System.

The Executive Mayor has a ten-member Mayoral Committee, a Speaker and eighty-nine elected Councillors. Forty-four were elected in terms of the system of proportional representation and forty-five Councillors represent wards.

WARD COMMITTEES

In terms of section 72-78 of the Municipal Structures Act Council has established 45 ward committees. The committees are chaired by their respective Ward Councillors, and each has ten other elected members represented on the committee. With no formal powers, submissions are made to Council through the Ward Councillor. With ward committees being consultative community structures, their purpose is to broaden participation in the democratic process of Council and to assist the Ward Councillor with organising consultation, disseminating information and encouraging participation from residents in the ward. Ward Committees meet on a monthly basis to discuss ward issues.

STANDING COMMITTEES

In terms of section 79 & 80 of the Municipal Structures Act (32 of 2000) and Section 160 of the Constitution, standing committees have been established to assist the Executive Mayor. Council aligned the political and administrative structures of Buffalo City in 2002, by aligning the standing committees with the new organisational structures and creating both operational and strategic standing committees.

THE FOLLOWING OPERATIONAL AND STRATEGIC COMMITTEES WERE CREATED:

OPERATIONAL STANDING COMMITTEES	STRATEGIC STANDING COMMITTEES
Corporate Services Standing Committee	IDP, Budget & Performance Management Committee
Development Planning Standing Committee	Special Programmes Committee
Engineering Services and Infrastructure Standing Committee	Economic Development & Tourism Committee
Finance Standing Committee	Sustainable Development & Integrated Environmental Management Committee
Social Services Standing Committee	
Housing Standing Committee	

These standing committees are chaired by Mayoral Committee members and have members from all political parties. The Operational Committees are limited to a maximum of 14 members and the Strategic Committees to a maximum of seven members. Each Councillor is requested to serve on at least one standing committee.

Buffalo City: Executive and Council Structure

MUNICIPAL COUNCIL

45 Ward Councillors
44 Party Representatives
89 Councillors

Speaker chairs Council Meetings →

← 45 Ward Committees

MAYORAL COMMITTEE

Executive Mayor
9 Portfolio Councillors

— Chaired by Executive Mayor

Cllr. N.C. Peter
Executive Mayor

Cllr. L. Simon
Speaker

Ald. J. Badenhorst
IDP, Budget, Performance Management & Integrated Environmental Management

Cllr. L. Bobo
Engineering Services

Cllr. S. Dikimolo
Corporate Services

Cllr. D. Matika
Finance

Cllr. A. Ntoni
Constituency, Community Participation & Special Programmes

Cllr. M. Pango
Social Services

Cllr. N. Sityi
Development Planning

Cllr. S. Tyilo
Housing

Cllr. V. Viljoen
LED, Tourism & Rural Development

Executive Summary

Buffalo City Municipality is proud to present its Annual Report for the 2005/2006 Financial Year.

In March 2006, the local election took place, which saw the smooth transition of political change as well as changes in the administration.

The key strategic thrust for Buffalo City since 2006 has been the development of:

1. A long term Development Strategy
2. Improving the Financial Viability
3. Improving Institutional Capacity
4. Reducing Poverty, Unemployment and Low Economic Growth
5. Ensuring Sustainable Human Settlements

This has culminated in the development of six over-arching key objectives for the City, which are detailed in the table below:

KEY ISSUES	BCM KEY OBJECTIVES
Buffalo City lacks a clearly defined long-term development strategy, which negatively impacts on the ability of BCM & Buffalo City stakeholders to work towards the achievement of Buffalo City's vision.	**BCM1** Buffalo City has a clearly defined long-term development strategy, enabling BCM and stakeholders to work together to achieve Buffalo City's vision.
The sustainability of BCM is dependent on expanding its revenue in relation to costs and its financial viability, whilst implementing its mandate.	**BCM2** Effective, efficient, co-ordinated financial management and increased revenue - enabling BCM to deliver its mandate*.
Inefficiencies exist within the institution, which compromise BCM's ability to deliver services.	**BCM3** BCM's institution is capacitated and structured to enable efficient, effective, and sustainable service delivery.
Low economic growth, high unemployment, low skills levels, high levels of poverty and high inequality exist within BCM.	**BCM4** BCM creates an enabling environment for an economy that is growing, diversifying, generating an increasing number of sustainable employment opportunities and contributing to increased incomes and equality.
Whilst BCM delivers basic services (water, sanitation, waste removal & electricity) to about 70% of households, many households still lack adequate transport, social services, economic opportunities and an enriching environment.	**BCM5** Buffalo City is well structured, efficient and supports sustainable human settlements, thus enabling residents to meet their physical, social, developmental, environmental, cultural & psychological needs.
Lack of sustainable development and inappropriate use of resources has a harmful impact on the health and well-being of present and future generations of BCM.	**BCM6** BCM has a safe, healthy and sustainable environment protected for the benefit of present and future generations through securing ecologically sustainable development and use of natural resources, whilst promoting justifiable social and economic development.
* Mandate: as per the objectives for local government (in terms of Section 152 of the constitution): provision of democratic and accountable local government, ensuring the provision of services in a sustainable manner, promoting social and economic development, promoting a safe and healthy environment, encouraging the involvement of communities and community organisation in matters of local government.	

The thrust, under the political guidance of the Mayor, has been to ensure that the objectives of democratic and accountable local governance are upheld. To meet this objective, a Strategic Committee dealing with Constituency, Community Participation and Special Programmes has been adopted to ensure that full community participation is entrenched in the day-to-day outcomes of the Municipality.

Buffalo City Profile

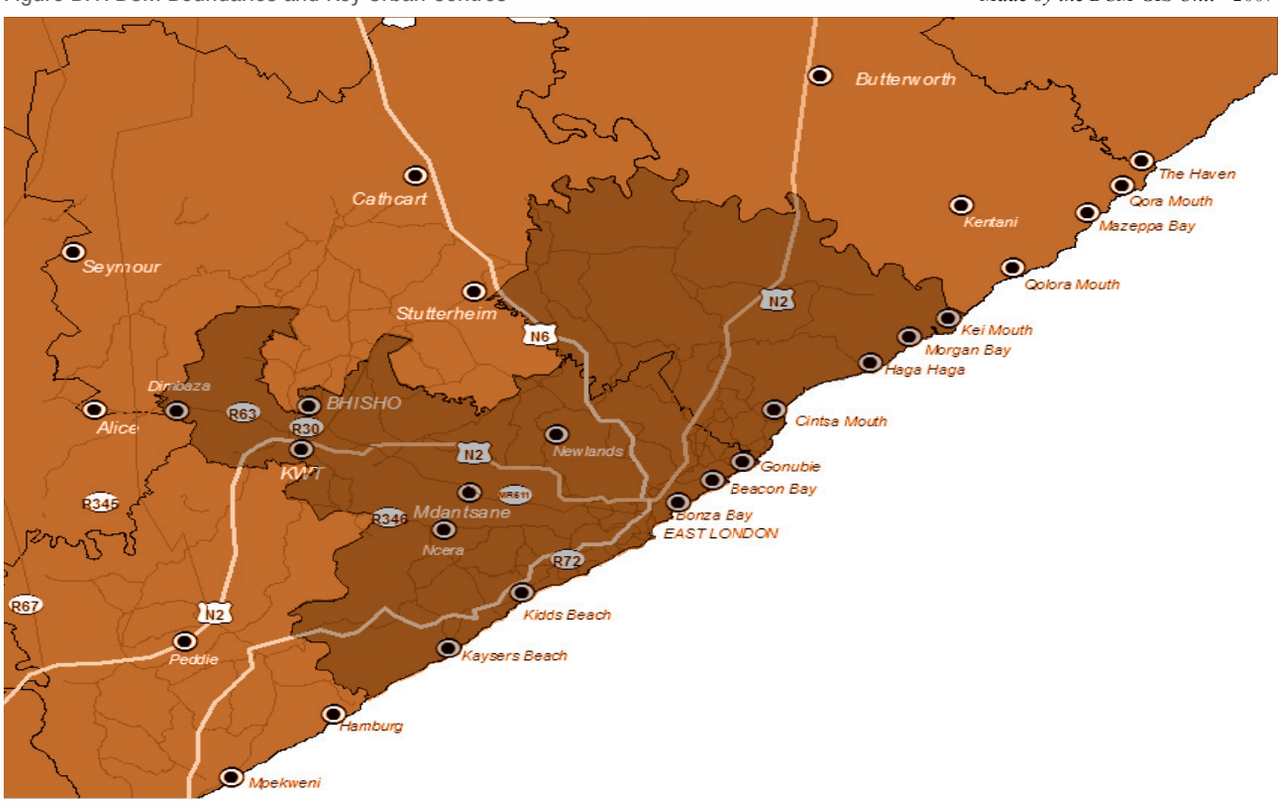
1.1 BUFFALO CITY IN CONTEXT

Buffalo City is situated relatively centrally in the Eastern Cape Province, which is bounded to the South-East by a long coastline along the Indian Ocean.

The Eastern Cape Province is the second largest province in land area in South Africa, and covers some 169,580 km^2, which is 13,9% of South Africa's total land area. The province has the third largest population of South Africa's provinces, approximately 6,4 million people (Census 2001), which is 14,1% of South Africa's people. The province is generally seen as one of the two poorest in South Africa. There are two major urban centres within the province, Nelson Mandela Metropolitan and Buffalo City.

Buffalo City is the key urban centre of the eastern part of the Eastern Cape. It consists of a corridor of urban areas, stretching from the port city of East London to the east, through to Mdantsane and reaching Dimbaza in the west. East London is the primary node, whilst the King William's Town (KWT) area is the secondary node. It also contains a wide band of rural areas on either side of the urban corridor. (See Figure B.1 below). Buffalo City's land area is approximately 2,515 km^2, with 68km of coastline.

Figure B.1: BCM Boundaries and Key Urban Centres *Made by the BCM GIS Unit - 2007*



Both KWT and East London have important functions. KWT functions as a Regional Service Centre and together with Bhisho, is the Provincial Administrative Centre and contains the seat of the Provincial Government of the Eastern Cape Province, whilst East London is the dominant economic centre.

Buffalo City is broadly characterised by three main identifiable land use patterns.

The first has been described above, that is, the dominant urban axis of East London – Mdantsane–KWT–Dimbaza, which dominates the industrial and service sector centres and attracts people from throughout the greater Amathole region in search of work and better access to urban service and facilities.

The second is the area comprising the fringe peri-urban and rural settlement areas, which, whilst remaining under the influence of the urban axis, is distinct in character and land use patterns. These include the Newlands settlements, those settlements that previously fell within the former Ciskei Bantustan, and the Ncera settlements located west of East London.

Thirdly, the commercial farming areas form a distinctive type of area. These areas are prevalent in the north-eastern and south-western (coastal) sectors of the Municipality and are characterised by extensive land uses, with certain areas making use of intensive irrigation-based farming.

1.2 BUFFALO CITY POPULATION

According to Statistics South Africa, the total population of Buffalo City in 2001, was 701 890, made up as follows:

Table B.1: Population 2001 & 1996 (Census)

Area	2001	1996
KWT & Surrounds	184,246	183,934
East London Area	204,862	187,120
Mdantsane Area	168,284	176,483
Rural South	63,967	62,530
Rural North	80,536	76,881
Total	701,895	686,948

Whilst there has been some debate regarding possible under-counting of BCM in the Census, the Census figures are recognised as the official statistics.

The population has grown relatively slowly from 1996 - 2001 at 2,87%, an average of 0.6% per annum. The number of households has, however, grown at a much faster rate, as extended households 'disaggregate'. The growth rate for households over the five year period was 19,82%, an average annual household growth of 3,68%. This growth in the number of households translates into an increased demand for municipal services.

Table B.2: Households 2001 & 1996 (Census) & 2006 State of the Cities Report

	2005*	2001	1996
Households	208,523	191,046	159,440

In 2005, it was estimated that the population of BCM had grown to approximately 730,000 people (DWAF, February 2006), whilst the 2006 State of the Cities Report estimated the population for Buffalo City to be 765,343.

In order to plan for the future of Buffalo City, it is necessary to consider possible population growth scenarios. BCM will be undertaking such an exercise over the coming year, with the outcomes thereof informing its long-term development strategy (or City Development Strategy - CDS).

Table B.3 details the movement of the population in and out of Buffalo City over the period 1996 –2001. The statistics reflect a lower level of migration than previously anticipated, with only 6,6% of the population newly migrant and the ratio of out-migration to in-migration being 49:51. Internal migration, moving from one settlement to another within the boundaries of Buffalo City, also needs to be considered by BCM.

Table B.3: Movement of Population into, within and out of Buffalo City 1996 – 2001

Total % of 2001 pop that is newly migrant	Ratio of out- migration to in-migration	
	Out	In
6,66%	49	51

Table B.4 details the gender split, with 53 % of the population being female and 47% male, in 2001.

Table B. 4: Gender 2001 & 1996 (Census)

2001		1996	
Female	Male	Female	Male
372,730	329,159	362,650	324,297

Detailed below is the population pyramid showing the difference in population between 1996 and 2001 Census by age and gender.

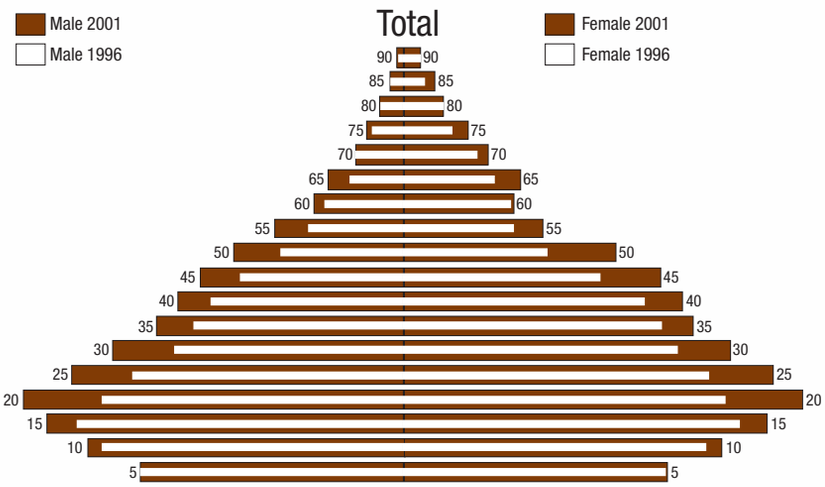


Figure B.2: Age and Gender Population Pyramid (1996 & 2001)

Table B.5 details the age split within the population. The percentage of the population aged 15 – 64 has grown since 1996, indicating an increased number of people looking for employment opportunities.

Table B. 5: Age 2001 & 1996

	2001	1996
% of Cities Population Aged 0- 4	7,15	8,40
% of Cities Population Aged 5 - 14	18,62	20,82
% of Cities Population Aged 15 - 34	37,77	37,35
% of Cities Population Aged 35 - 64	30,25	27,69
% of Cities Population Aged >65	6,21	5,74

1.3 ECONOMIC CLUSTER

In reviewing and analysing the economic environment in Buffalo City it is apparent that the Municipality lacks comprehensive and accurate economic data. BCM is currently formulating an Economic Development Strategy and it is hoped that through this process more accurate economic data will be sourced.

Most of the statistics quoted in the text below, are taken from a report titled "Skills Development Strategies for Inclusive and Productive Cities" prepared for the South African Cities Network (Erasmus & Tomlinson, 2005), referred to as the SACN Skills Report. Other statistics are taken from Statistics South Africa, Census 2001.

1.4 BUFFALO CITY'S ECONOMY

Buffalo City is one of the key economic hubs of the Eastern Cape Province and is the most important economy in the eastern part of the province. In 2004, it was estimated that Buffalo City contributed 23% to the total GDP of the province and provided 19% of the province's formal employment opportunities.

Whilst the importance of Buffalo City's economy within the region and the province is recognised, Buffalo City has not performed well over the last period relative to the other major cities in South Africa. Buffalo City was the third worst performing city with a compounded annual growth in GDP of 2,5%, compared to 3.5% for the nine cities listed overleaf.

Table B.6: Average Annual Growth in GDP (%)

Average annual growth in GDP (%)										Compounded annual growth in GDP 2004 %
	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Constant 2000 Rands
City of Cape Town	3.78	2.59	0.07	4.35	4.83	4.51	4.05	4.00	4.14	3,6
Nelson Mandela	3.44	1.88	0.48	3.03	5.98	3.64	2.68	2.97	3.62	3,1
Ethekwini	3.93	2.37	1.50	2.74	5.44	4.89	3.10	3.13	3.36	3,4
Tshwane	2.87	2.30	1.14	2.28	5.16	2.57	4.59	3.00	4.37	3,1
Ekurhuleni	2.80	2.60	0.83	2.31	6.57	2.36	4.23	2.89	3.97	3,2
Johannesburg	4.19	3.63	2.10	4.03	7.25	3.80	5.65	3.88	5.02	4,4
Buffalo City	3.31	1.58	-0.45	2.70	4.81	2.50	1.79	3.02	3.03	2,5
Mangaung	3.95	2.27	0.55	3.63	2.21	1.42	2.93	2.29	2.65	2,4
Msunduzi	4.01	1.37	0.47	1.18	3.94	3.70	2.31	1.54	2.76	2,4
Nine cities	3.63	2.65	1.07	3.24	5.76	3.65	4.16	3.36	4.10	3,5
South Africa	3.93	2.56	0.70	2.67	4.42	2.87	3.64	2.88	3.77	3,0

Source: SACN Skills Report

Looking specifically at Buffalo City's economy it, like the South African economy, has over time shifted from the primary sector to the growth of the secondary and tertiary sectors. Table B.7 details the percentage split between and within the sectors, with the primary sector contributing 0.9%, the secondary sector 23.5% and the tertiary contributing 75.6% to BCM's economy in 2004. The table also reflects the economy of BCM relative to the nine largest cities in South Africa and to the national economy. The top three sub sectors of BCM's economy are finance and business services, manufacturing and government services and are highlighted below.

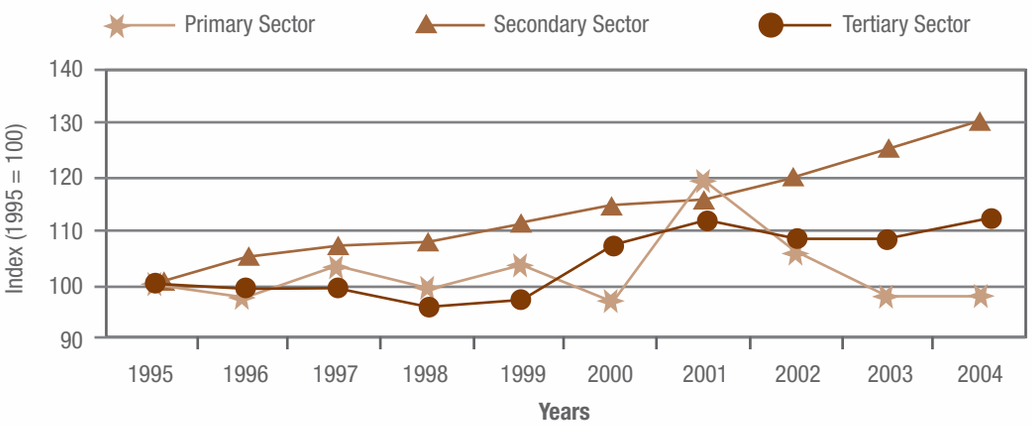
Table B.7: Performance of the Primary, Secondary & Tertiary Sub-sectors, constant 2000 rands

Sub-sector	GDP 1995	GDP 2004 (current)	% of sector	% sector & sub-sector of BCM economy	Annual Average Growth 1995 – 2004		
					Buffalo City	Nine Cities	Nat
PRIMARY SECTOR				0.9			
Agriculture	134 666 605	175 295 584	90.5		-0.29%	1.90%	2.70%
Mining	11 614 810	18 363 832	9.5		0.21%	-0.20%	-0.40%
SECONDARY SECTOR				23.5			
Manufacturing	2 967 189 721	4 629 664 798	87.0		1.15%	2.30%	2.20%
Electricity & water	271 697 888	289 581 582	5.4		-1.70%	0.70%	1.00%
Construction	266 288 210	404 100 804	7.6		3.50%	3.40%	2.80%
TERTIARY SECTOR				75.6			
Trade	2 309 249 976	3 719 453 659	21.7		3.33%	4.70%	4.20%
Transport & communication	1 061 285 939	1 741 393 325	10.2		3.27%	6.70%	6.40%
Finance & business services	2 858 972 995	5 311 790 095	31.0		3.88%	5.60%	4.90%
Community, social & other personal services	1 285 019 162	2 296 951 318	13.4		3.49%	3.50%	3.40%
General government services	2 746 204 830	4 070 443 573	23.7		0.99%	-0.10%	0.20%

Source: SACN Skills Report

The relative growth of the tertiary sector versus the primary and secondary sectors over the period 1995 to 2004 is graphically illustrated in figure B.3 below.

Figure B.3: Growth Trends in the Broad Sectors of the Economy of Buffalo City, 1995 – 2004, constant 2,000 rands



Source: SACN Skills Report

The two major economic centres in BCM are East London and KWT. East London is a port city with a diverse economic base and home to companies such as Daimler Chrysler South Africa (DCSA), Johnson and Johnson and Nestle. Of concern is the many clothing and textile factories which have closed down and the vulnerability of the remaining factories.

Whilst KWT is an important service centre and together with Bhisho is the home of the Provincial government, the KWT/Bhisho/Dimbaza area has experienced a decline in economic activity over the last years. A stark example of this is Dimbaza, once a thriving factory town, employing more than 30 000 people (with incentives from the former Ciskei government) now has only five functioning factories.

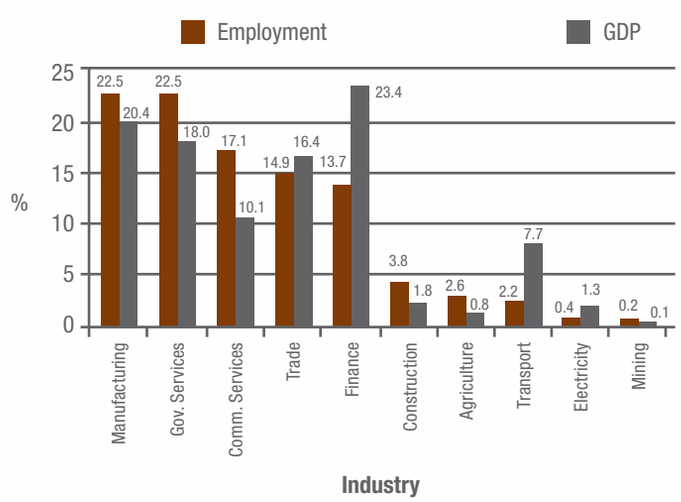
BCM has, since the late 1990s, commissioned a number of studies to investigate economic rejuvenation in the area and is in the process of developing a plan for the integration of Bhisho-KWT.

Whilst it is acknowledged that Buffalo City has seen slow economic growth as well as high and growing levels of unemployment, Buffalo City remains one of the key opportunities for the growth of the economy and the creation of jobs within the district and the province.

1.5 EMPLOYMENT, INCOME & SKILLS

The shifts in the economy have implications for employment, with the past three decades showing a decline in employment in the primary (agriculture, mining) and secondary (manufacturing, construction) sectors and greater employment in the tertiary sector (transport, trade, finance, and services).

Figure B.4: Employment and GDP by industry, 2004



Source: SACN Skills Report

The largest contributors to job creation in Buffalo City, after government and community services sectors are finance, manufacturing and trade.

Cognisance also needs to be taken of the informal sector and its contribution to job creation in BCM. The SACN Skills Report defines the informal sector as the "economic activity that is not recorded in the national accounts and which is mostly unregulated." Buffalo City has, in comparison to the other nine cities, a lower proportion of workers in the informal sector (23%) and a higher proportion of workers in the formal sector (77%). However, like many of the cities, the trend over the period 1995 to 2004 shows formal employment declining and informal employment growing.

The SACN Skills Report estimated that about 70% of BCM's population in 2004 were of a working age (15 – 64 years).

Table B.8 : Total population, according to age, 2004

CITY	0 –14 YEARS	15 – 64 YEARS*	65 YEARS AND OLDER	TOTAL
Buffalo City	193,562	516,731	32,803	743,096
% BCM	26.0	69.5	4.4	100.0
Average: 9 cities	27.9	67.6	4.6	100.0

*Working age population

Source: SACN Skills Report

Of the working age population, it is estimated that approximately 52% are in the economically active bracket (employed or actively looking for employment).

Table B.9: Economically active and economically inactive people, 2004*

CITY	ECONOMICALLY ACTIVE	ECONOMICALLY INACTIVE	TOTAL
Buffalo City	270,113	246,618	516,731
%	52.3	47.7	100.0
Average: Nine cities	62.6	37.4	100.0

*According to place of residence.

Of the economically active population it is estimated that the unemployment rate is 39.1% (the highest of all the nine cities, with the average for the nine cities being 29.1%). According to Census 1996 and 2001, levels of unemployment are not only high, but also a growing phenomenon.

Not only does BCM have high unemployment, but according to Census 2001 70% of households indicated that they earned an income of less than R1500 (the household subsistence level).

With respect to the unemployed, in 2004 approximately 57% were women, 65% were younger than 29 (52% between the ages of 20 –29) and 60% of the unemployed had lower-skills levels and had not progressed beyond grade 9 (ABET4).

Possibly one of the greatest threats for the future development of Buffalo City's economy is the quality of Buffalo City's labour force and the ability of the labour force to adapt and support a changing economy. According to the SACN Skills Report "…the level of education of a population can be used as a means of measuring the quality of the labour force, and is an indication of that population's ability to undertake training successfully and acquire useful skills. This is cause for concern in cities such as Buffalo City…as a fifth of their potential labour force has not attended school or at least completed the primary school phase." It is further noted that, "the stage of economic development attained by a country, province or city determines the levels of skills needed by workers in that economy" and "conversely, workers' skills levels also largely determine economic development."

The development of an appropriately skilled work-force requires structured co-ordination between all role-players, supply and demand, i.e. schools, institutions of learning and employers. In support of this co-ordination and arising out of the above-mentioned skills study by SACN, BCM is investigating the development of a support structure, possibly a "Skills Development Forum".

A further threat to the work-force and the development of the economy is the impact of HIV/AIDS.

1.6 INITIATIVES TO SUPPORT THE GROWTH OF BCM'S ECONOMY

Buffalo City, together with key partners, has embarked on a number of initiatives to support the growth of BCM's economy. These are described in more detail in the following paragraphs.

1.6.1 The East London Industrial Development Zone (ELIDZ)

The ELIDZ is an important part of the economic infrastructure of East London. The ELIDZ is jointly owned by the Eastern Cape Development Corporation (74%) and BCM (26%). The goals of the project are to "bring economic growth to the region and beyond by offering investors a globally competitive combination of geographic position, infrastructure, services and labour. This being achieved by attracting foreign and local investment to the region in the field of industrial development" (IDZ web-site, 23/2/06). The ELIDZ is seen not only to offer investment opportunities, but also to play a pivotal role in the support of the Black Economic Empowerment (BEE), development of Small, Medium and Micro Enterprises (SMME's) and job creation.

The ELIDZ is situated 2,5km south-east of the airport, 5km west of the city's port and comprises 1500 hectares of land. The ELIDZ Master Plan identifies five distinct development phases for implementation. Targeted sectors for investment in the ELIDZ include the:

- Motor Industry
- Textile & Clothing
- Pharmaceuticals
- High Tech Manufacturing & Electronics
- Forestry & Wood Products
- Agricultural Products Beneficiation

During 2005, the ELIDZ secured its first four tenants with a combined investment of more than R300 million and it is currently negotiating with about 40 other potential investors in the automotive, textile, logistics, agri-industrial, forestry and pharmaceutical industries.

1.6.2 Buffalo City Development Agency

One of the institutional vehicles proposed to advance and leverage the development of potential investment opportunities inherent in various area-specific parts of the city, is the Buffalo City Development Agency (BCDA). The BCDA receives support from the Industrial Development Corporation (IDC). The BCDA has recently been established as a Section 21 Company and its first area of responsibility is the East London beachfront and Quigney areas. The core mandate of the BCDA will be to ensure that the economy of these areas achieves its full development potential through the promotion and support of existing strengths and new opportunities.

1.6.3 Tourism

The Tourism sector has shown a worldwide annual growth of 5% - 6%. South Africa has good potential for development of the tourism sector and it is within this context, and because of the coast and the many natural attractions, that the Eastern Cape and Buffalo City are seen to have similar potential.

Visitors to the city comprise 95% domestic and 5% international, with the international component mainly being business and backpackers. Although tourism has increased steadily, Buffalo City and its surrounding region has a limited tourism sector, therefore there is great potential for further expansion.

BCM has completed a Tourism Master Plan and this Plan guides BCM in its approach and actions towards supporting Tourism in Buffalo City.

Opportunities for further development within the tourism sector include:

- Sports tourism – Buffalo City has invested in its sports infrastructure and has already hosted some major sports events; it is anticipated that Buffalo City will host training and other complementary activities during the 2010 Soccer World Cup.

- Heritage & culture – given the rich heritage and culture of the region there are a great number of tourism opportunities. An Inyathi Buffalo Route, focusing on community based tourism, was launched in September 2005. A Struggle Route is being developed, which will link to the ADM heritage sites and will include sites in Dimbaza, Steve Biko and Duncan Village Garden of Remembrance, Heroes Park and the West Bank Prison.

BCM has set up a tourism promotion agency called Tourism Buffalo City. The function of this agency is to market and promote the City in line with the Tourism Master Plan. It should be noted, however, that it is the responsibility of all stakeholders to develop Buffalo City as a strong brand in the highly competitive tourism industry.

1.6.4 Small, Medium and Micro Enterprises

The capacity of Small, Medium and Micro Enterprises to participate in the economic mainstream is limited. Local business forums have not yet formed a strong front to ensure their members tap into upcoming opportunities. This is also coupled with the difficulty to tap into the national Department of Trade and Industry's national support programmes. Another challenge is formalising the informal sector to ensure it graduates from subsistence to fully commercialised, well-managed enterprises.

1.6.5 Agriculture

Agricultural development in Buffalo City is impeded by infrastructure backlogs, a weak local consumer market and high transportation costs to the major national markets.

Opportunities for agricultural development within Buffalo City include:

- Dairy
- Tunnel farming
- Essential oils
- Fat lamb production
- Agro-processing
- Strawberry production
- Macadamia nuts
- Hemp & paprika production
- Timber production

It is proposed that the ELIDZ could be of assistance in promoting access to foreign markets for some such initiatives. In terms of the domestic market, there are opportunities for emerging farmers to supply the retail sector, government institutions such as hospitals, schools and prisons. Emphasis, however, needs to be put on quality assurance to ensure emerging farmers meet the required standards and improve their productive capacity.

Areas such as Mdantsane and Duncan Village are characterised by high unemployment. It is proposed that urban agriculture could assist in combating such unemployment and support food security. These and other such issues will be considered in the **Agricultural and Rural Development Strategy** currently being developed by BCM.

The East London Fresh Produce Market caters largely for established businesses, however, BCM is investigating means of ensuring access for emerging farmers and is considering how to restructure and improve its competitiveness.

ABSA

CHAPTER 02

PERFORMANCE HIGHLIGHTS

past & current performance, achievements & challenges >

Chapter 2: Performance Highlights

2.1 Introduction

Buffalo City Municipality achieved a significant level of performance during the period 2005 to 2006. Considered against the strategic framework set out in the Integrated Development Plan (approved by Council on 27 May 2005), there are several highlights which can be emphasized, including delivery of substantial infrastructure and services to meet basic needs, operational transformation with greater efficiencies and effective service levels, greater capital expenditure volumes than previous report periods and social development gains, particularly in housing.

Addressing the City Stakeholders on 27 May 2005 in his budget and IDP speech, the Mayor, Councillor Sindisile Maclean provided five key strategic directions for the year ahead. Emphasising the need to restructure "the institutional vehicle" with an aligned development agenda, the Mayor highlighted the importance of the "financial flagship" of the institution underpinned by the five year financial viability and sustainability plan.

Facing up to the challenge of deep poverty and widespread backlogs on the one hand and major challenges to augment infrastructure capacity needed to attract large, valuable property investments in the city, the Mayor stipulated that there is a need to achieve a balanced service delivery programme coupled with spatial change in the distribution of capital investment. The capital allocation was distributed on the basis on R33 million for water, R123,6 million for sanitation, R13,9 million for roads and works, R99 million for housing, R21,4 million for electricity and R33 million for public safety.

In order to link economic and social investment to an infrastructure programme, the Mayor highlighted the strategic approach of preparing the City Development Strategy during the ensuing year in order to achieve a thirty year development vision according to four "quadrants" involving a productive, inclusive, sustainable and well governed city. This City Development Strategy would be underpinned in future by the implementing arm of the Buffalo City Development Agency and two urban renewal programmes in the Inner City and Mdantsane.

It is possible to examine the performance of the municipality in greater detail in the context of the Integrated Development Plan and the five strategic directions, namely Service Delivery, Capital Budget, the Operating Budget, Restructuring Grant and the Long Term Vision. A detailed breakdown of the achievements in terms of backlogs is provided in Table 1 below.

2.2 Performance Highlights

2.2.1 WATER

Buffalo City Municipality has a Water Service Development Plan which guides the Municipality in the delivery of water and sanitation services and this has led to the successful implementation of an extensive water meter installation and replacement programme which is now in place. The installation of meters will have a positive impact on physical losses of water in the system. The Gompo Water Metering and pilot project on Pressure Reduction and Intervention is underway and two other projects which will impact positively in the area within the next year are the Water Tower at Homeleigh Halt and the 11,2km pipeline from Potsdam to Needs Camp. Sewer infrastructure totaling R25 million has been commissioned in West Bank for the IDZ, and R2 million invested in Quinera for an Interceptor Sewer to support private sector investment in that area.

2.2.2 ELECTRICITY

Electricity supply has been provided to 31 large power users, 22 schools and 2600 low income households. A revenue protection unit has been established to conduct raids and inspections of illegal connections thereby reducing the illegal consumption of electricity.

TABLE 1: Detailed list of Service Delivery Backlogs

	2005/2006			2006/2007			2007/2008		
	Required	Budgeted	Actual	Required	Budgeted	Actual	Required	Budgeted	Actual
Water Backlogs (6kl/ month)									
Backlogs to be eliminated (No. households to be receiving minimum standard of service)			9171 (Rural within & outside Urban Edge)			6114 (Rural within & outside Urban Edge)			3057 (Rural within & outside Urban Edge)
Backlogs to be eliminated (Percentage – HH identified as backlogs/ total HH in municipality)			5.9% (Rural within & outside Urban Edge)			3.9% (Rural within & outside Urban Edge)			2% (Rural within & outside Urban Edge)
Spending on new infrastructure to eliminate backlogs (Rm) p.a.	10.6	10.6	0	11.1	To be placed on budget	0	11.7	To be placed on budget	0

	2005/2006			2006/2007			2007/2008		
	Required	Budgeted	Actual	Required	Budgeted	Actual	Required	Budgeted	Actual
Spending on renewal of existing infrastructure to eliminate backlogs (Rm) p.a.	16.3	0	0	17.1	To be placed on budget	0	18.0	To be placed on budget	0
Total spending to eliminate backlogs (Rm) p.a.	26.9	10.6	0	28.2	To be placed on budget	0	29.7	To be placed on budget	0
Spending on maintenance to ensure no new backlogs created (Rm) p.a.	5	4.5 (Deferred mainte-nance)	4.5	15.1	To be placed on budget	0	16	To be placed on budget	0

	2005/2006			2006/2007			2007/2008		
	Required	Budgeted	Actual	Required	Budgeted	Actual	Required	Budgeted	Actual
Sanitation Backlogs									
Backlogs to be eliminated (No. households to be receiving minimum standard of service)		22 654	22 654		83 381	83 381	80 981	80981	
Backlogs to be eliminated (Percentage – HH identified as backlogs/ total HH in municipality)		40%	40%		38%	38%	37%	37%	
Spending on new infrastructure to eliminate backlogs (Rm) p.a.		26	26		26	26	138	138	
Spending on renewal of existing infrastructure to eliminate backlogs (Rm) p.a.		1	1		12	12	3	3	
Total spending to eliminate backlogs (Rm) p.a.		28	28		4	4	320	168	
Spending on maintenance to ensure no new backlogs created (Rm) p.a.		19	19		12	12	30	12	

	2005/2006			2006/2007			2007/2008		
	Required	Budgeted	Actual	Required	Budgeted	Actual	Required	Budgeted	Actual
Electricity Backlogs									
Backlogs to be eliminated (No. households to be receiving minimum standard of service)	2 500	2 500	2 698	5 000	500		5 000	2 000	
Backlogs to be eliminated (Percentage – HH identified as backlogs/ total HH in municipality)	2.29%	2.29%	2.47%	6.7%	0.67%		6.7%	2.7%	
Spending on new infrastructure to eliminate backlogs (Rm) p.a.	15	12	12.83	50	15		50	15	
Spending on renewal of existing infrastructure to eliminate backlogs (Rm) p.a.	120	1.8	1.8	60	10		60	10	
Total spending to eliminate backlogs (Rm) p.a.	135	13.8	14.63	110	25		110	25	
Spending on maintenance to ensure no new backlogs created (Rm) p.a.	135	13.8	13.8	100	30		100	30	

	2005/2006			2006/2007			2007/2008		
	Required	Budgeted	Actual	Required	Budgeted	Actual	Required	Budgeted	Actual
Refuse Removal Backlogs									
Backlogs to be eliminated (Rm)	54.7	54.7	54.7	80	67	63.2	95	72.8	72.8
Spending on new infrastructure to eliminate backlogs (Rm) p.a.	3.5	2.5	6.5	9.5	15	60	10	10	10
Spending on renewal of existing infrastructure to eliminate backlogs (Rm) p.a.	45	42	42	45	10	10	60	12	12
Total spending to eliminate backlogs (Rm) p.a.	80	64	64	300	86	86	300	86	86
Spending on maintenance to ensure no new backlogs created (Rm) p.a.	6	7.9	40	7.9	7.2	30	30	9.2	9.2

	2005/2006			2006/2007			2007/2008		
	Required	Budgeted	Actual	Required	Budgeted	Actual	Required	Budgeted	Actual
Environmental Services Backlogs									
Implementation of the grass mowing programme throughout BCM (Rm)	10	0	0	10	0	0	10	0	0
Marina Glen environmental rehabilitation (Rm)	2	0.4	0.4	1.5	0	0	1	0	0
Development of open spaces (Rm)	1	1	1	2	2	2	5	1.750	1.750
Replacement of vehicles (Rm)	0	0	0	0	0	0	6	0	0
Purchase of new horticultural equipment (Rm)	0	0	0	0.6	0.6	0.6	2.5	0.6	0.6
Establishment of new depots (Rm)	0	0	0	0	0	0	2	0.9	0.9
Development of cemeteries (Rm)	-	-	-	-	-	-	5	0	0
Purchase of office furniture and equipment (Rm)	0	0	0	0	0	0	2.5	0	0

	2005/2006			2006/2007			2007/2008		
	Required	Budgeted	Actual	Required	Budgeted	Actual	Required	Budgeted	Actual
Community Facilities									
HALLS									
Backlogs to be eliminated (No. halls requiring repairs to raise their condition to an acceptable standard) (Rm)	25	1.5	0.55	24.45	3.8	3.8	20.6	0	0
Backlogs to be eliminated (halls requested by communities) (Rm)	60	0	0	60	0	0	60	2.5	2.5
Spending on maintenance to ensure no new backlogs occur (Rm)	3	0	0	6	0	0	9	0	0

	2005/2006			2006/2007			2007/2008		
	Required	Budgeted	Actual	Required	Budgeted	Actual	Required	Budgeted	Actual
ART CENTRES									
Backlogs to be eliminated (Repairs to present 2 buildings) (Rm)	0.5	0	0	0.5	0	0	0.5	0	0
Backlogs to be eliminated (new studios and display space to be built 1) (Rm)	2	0	0	2.2	0	0	2.2	0	0
Spending on maintenance to ensure no new backlogs of repairs occur (Rm)	0.25	0	0	0.3	0	0	0.3	0	0

	2005/2006			2006/2007			2007/2008		
	Required	Budgeted	Actual	Required	Budgeted	Actual	Required	Budgeted	Actual
ART GALLERY									
Backlog to be eliminated (Repairs to present building) (Rm)	1.5	0	0	1.5	0	0	1.7	0	0
Backlog to be eliminated (new studio's and display space to be built) (Rm)	5	0	0	5	0	0	5.5	0	0
Spending on maintenance to ensure no new backlogs occur (Rm)	0.25	0	0	0.27	0	0	0.3	0	0

	2005/2006			2006/2007			2007/2008		
	Required	Budgeted	Actual	Required	Budgeted	Actual	Required	Budgeted	Actual
LIBRARIES									
Backlog to be eliminated (Repairs to present Library buildings) (Rm)	3	1	1	5	1	1	4	0	0
Backlog to be eliminated (new libraries to be built/ libraries extended) (Rm)	12	0	0	12	0	0	13	0	0
Backlog to be eliminated (upgrading of networking facilities) (Rm)	1	0	0	1	0	0	1	0	0
Spending on maintenance to ensure no new backlogs occur (Rm)	1	0	0	1.2	0	0	1.5	0	0

BUILDING AND ZONING PLANS	
Category	Number Approved
Land Use Applications	323
Building Plans	4 043

2.3 SOLID WASTE

A significant achievement in Solid Waste Management is that of the closure permits received from DWAF for Second Creek and NU2 illegal landfill sites. The city has also managed to commission a new regional waste site, KWT Waste Disposal Site was awarded an operational permit by DWAF and new waste by-laws were promulgated in December 2005.

2.4 ROADS

Significant lengths of sidewalks have been repaired and premix resurfacing and pothole repair to surfaced roads carried out. Approximately 30% of gravel roads were bladed and 17km of roads re-graveled. With regards to stormwater, 180km of stormwater pipes were jet-cleaned, 743m of pipes were repaired, catchpits cleared of debris and repaired, 313 manholes repaired, and 75 street name signs replaced. Additional achievements include; upgrading of parking areas, construction of approximately 13 gravel and surfaced roads to various pump stations and treatment works, 3 taxi embayments, 5 pedestrian facilities, 2 traffic circles and approximately 50 speedhumps and pedestrian tables and 4km of sidewalks and barriers to the Ziphunzana By-pass.

2.5 MUNICIPAL INFRASTRUCTURE GRANT (MIG)

The Municipality is proud to have achieved a 100% expenditure rate on its Municipal Infrastructure Grant (MIG) funding – approximately R90 million for the period 2005/2006. Some of these achievements included internal services supplied to 3500 low cost housing units in various areas, upgrading of gravel roads, interceptor sewer in Mdantsane, composting and VIP toilets constructed. With regards to water supply, bulk water supply Phase 1 has been implemented in Ward 18, additional storage reservoirs have been constructed in Mdantsane and Homeleigh Halt, and 14 000 households were provided with bulk water and sewers in the Reeston Phase 3 area.

2.6 AMENITIES

With regard to Amenities, the city has achieved a significant number of goals throughout the year by completion and upgrading of various sports facilities, nature reserves, libraries and community halls within the municipal area.

2.7 HEALTH AND PUBLIC SAFETY

With regard to Public Safety, and in particular, Fire & Rescue Services, considerable progress has been made this year in that training is now provided for most newly established Fire Departments in the Eastern Cape. This means that all staff will be qualified and in a position to deal with all fire investigation incidents. A public awareness campaign has passed the initial stage and will soon be conducted in more communities. Response times have improved and the purchase of new vehicles and equipment over the past two years has resulted in downtime being reduced considerably.

Various health studies and health and safety awareness programmes have been achieved during the year, resulting in higher public awareness of health issues and a reduced mortality rate of patients in the area. Extensions have been done and security houses been built at various clinics, and computers installed at all BCM fixed clinics in order to roll out the Health Management Information System for Nursing Services. While the supply of medication to all Buffalo City Municipality run clinics has been an issue, the supply of chronic medication to all Buffalo City Municipality run clinics during the year, has been maintained.

2.8 HOUSING

A Housing Policy Implementation Plan has been approved, and received subsidy agreements with a total value of R85 million. A total of 4043 building plans amounting to R876 million were approved and a total of 323 Land Use Applications and 4989 erven in terms of various settlement planning projects were approved.

2.9 ECONOMIC DEVELOPMENT STRATEGY (EDS)

The Municipality has been able to launch the Buffalo City Economic Development forum to drive the development of the Economic Development Strategy and the opening of the Mdantsane One Stop Shop to assist start-ups and unemployed youth. Various SMME development projects have been implemented and from a Tourism perspective, the Tourism Master Plan has been launched, implementation has started and community tourism organizations have been established. From an Agricultural perspective an Integrated Agriculture and Rural Strategy was developed and a number of agricultural projects were implemented.

Significant capital investments show that the adjusted budget for 2005/06 was finalized at R311 million. R290 million was allocated based on departmental predicted cash flows, whilst R227 million was actually spent. The Municipal Infrastructure Grant (MIG) used R39.86 million of the budget on infrastructure and housing, and the trend in capital spending for Buffalo City has been that basic needs infrastructure and housing dominate the expenditure programme. Another large investment in capital was attributable to the Spatial and Infrastructure cluster, which absorbed 67.5% of the budget. With regard to service provision, in order of ranked expenditure, water, waste water, housing and roads were the leaders in significant capital investment.

2.10 MDANTSANE URBAN RENEWAL PROGRAMME (MURP)

It is important to note that one of the highlights of the Mdantsane Urban Renewal Programme (MURP), included a visit from the European Commission and an announcement of aid to the value of approximately R120 million for the programme. This is to be utilized to uplift and contribute significantly to the development of the area. The Municipal Infrastructure Grant as well as many other funding sources have already contributed to Mdantsane. This achievement is also matched by the progress achieved in the Inner City Urban Renewal Programme championed by the Buffalo City Development Agency, involving a strategic focus on the Quigney, Beachfront and Inner City Business Precinct.

2.11 CONCLUSION

Buffalo City Municipality has however, been faced with many challenges during the past financial year with regards to maintenance and service delivery. This is mainly due to the fact that there are budget constraints within most of the departments and they have therefore had to cut back on maintenance, upgrading and replacement of equipment which has led to a growing challenge of deferred maintenance in the municipality.

CHAPTER 03

ORGANISATIONAL MANAGEMENT

Chapter 3:
Organisational Management

HUMAN RESOURCES

The purpose of this function is to render a professional support service that is well aligned to the municipality's Integrated Development Plan (IDP) as well as to the needs of the municipality's stakeholders and customers.

The main objectives include:

- Development and implementation of an Integrated Human Resources Strategy.
- Design and implement organizational structure aligned to the municipality's IDP
- Formulation and implementation of human resources programmes that are consistent with IDP
- Development of the organisational human resources, including Councillors
- Implementation of the HIV and AIDS strategy and employee wellness programme
- Motivation of employees and implementation of change management programmes
- Development and implementation of retention and talent management strategies
- Maintenance of a labour relations environment that is conducive to and that promotes organisational stability and harmony
- Facilitation of employer–employee relationship to resolve disputes and to create a culture of healthy interactions and tolerance
- Provision of management support and leadership on pertinent organisational issues
- Implementation of the Task Job Evaluation System

Integrated Human Resource System

An integrated Human Resources System (ARMS) was installed in the review year incorporating payroll, leave administration and equity reporting modules. Use of the system will not only improve the accuracy of human resources administration, but will further enhance the organisational capacity to meet obligations relating to legislation, such as the Basic Conditions of Employment Act, Employment Equity Act, Skills Development Act and Occupational Health and Safety Act.

Employment Equity

The Employment Equity Plan intends to achieve equity in the workplace, making the municipal workforce more representative and ensuring fair and equitable employment practices for employees. It is further intended to create an organisational culture that is non-discriminatory, values diversity and legitimises the input of all employees. The plan was developed in a participatory way, with representatives from the unions and through the Employment Equity and Training Steering Committee. Furthermore, the organisational audit has been undertaken to assess employment policies, practices, procedures and the working environment.

The success and competitive standing of the Council core activities and service delivery hinge critically upon the quality of its human capital and continual development of a workforce of competent and motivated personnel. A five-year Employment Equity Plan has been adopted by the Council and guides the organisation's human resources practices in promoting employment equity, the recruitment of employees from designated groups and the advancement of appropriate gender representation in the organisation. Organisational equity targets have been set out in the Employment Equity Plan, which simultaneously ensures compliance with the requirements of the Department of Labour.

A range of human resources policies and strategies has been formulated to advance initiatives to address historical employment inequalities as well as wider organisational transformation goals. The latest employment equity achievements are shown in the Equity Profile Table: (below)

TOTAL WORKFORCE (POST LEVELS 0 - 22)

Gender & Race	No of Employees	Percentage
White males	362/4 202	8.61%
White females	192/4 202	4.6%
African males	2 248/4 202	53.5%
African females	997/4 202	24%
Coloured males	241/4 202	5.74%
Coloured females	103/4 202	2.45%
Indian males	34/4 202	0.83%
Indian females	20/4 202	0.47%

EMPLOYEES WITH DISABILITIES (POST LEVEL 0 - 22)

Gender & Race	No of Employees	Percentage
White males	7/19	36.84%
White females	1/19	5.3%
African males	9/19	47.4%
African females	2/19	10.5%
Coloured males	0	0%
Coloured females	0	0%
Indian males	0	0%
Indian females	0	0%

EMPLOYMENT EQUITY TARGETS FOR FIRST FOUR TOP MANAGEMENT LEVELS

Gender & Race	No of Employees	Percentage
White males	23/63	37%
White females	4/63	6.3%
African males	14/63	22.2%
African females	14/63	22.2%
Coloured males	3/63	4.8%
Coloured females	01/63	1.58%
Indian males	2/63	3.2%
Indian females	2/63	3.2%

Organisational Development and Restructuring

In March 2006, a new municipal Council was elected followed by a comprehensive restructuring of the municipality. The restructuring was necessitated by a need to prepare, resource and reposition the organisation as a service delivery agent.

PENSION AND MEDICAL AID

PENSION FUNDS	MEDICAL AID FUNDS
Cape Joint Pension Fund	Bonitas
Cape Joint Retirement Fund	Global Health
SAMWU National Provident Fund	SAMWUMED
SALA Pension Fund	MUNIMED
Eastern Cape Local Authorities Provident Fund	HOSMED
Government Employees Pension Fund	L A HEALTH
Local Government Employees Pension Fund	
EL Municipal Provident Fund	

Some 1 709 staff members are members of medical aid funds and 4 156 belong to pension funds.

In addition to the above the following matters are of importance regarding the transformation and capacitation of the institution:-

- Council has approved a HR strategy linking Councils' IDP to its HR programmes designed to ultimately facilitate improved service delivery.
- An HIV/AIDS treatment strategy has been implemented with a view to addressing HIV/AIDS amongst staff members.
- Various skills development programmes have been implemented in order to provide employees with skills or update existing skills.
- Employee wellness interventions have been implemented to assist in improving service delivery.

Municipal Manager

- Directorate: Engineering Services
- Directorate: Development Planning & Economic Development
- Directorate: Corporate Services
- Directorate: Executive Mayoral Support
- Directorate: Community Services
- Directorate: Public Safety, Health & Disaster Management
- Directorate: Financial Services Chief Financial Officer
- Services & Operational Intergration Chief Operating Officer

STAFFING LEVELS AS AT 30 JUNE 2006

Function	Complement	Vacancies	Actual
Administration/Corporate	172	15	157
Finance	489	59	430
Development Planning	236	26	210
Water	358	52	306
Sewerage	398	68	330
Roads	342	69	273
Electricity	286	47	239
Mechanical	80	14	66
Community Services	1 750	145	1 605
Heath	226	15	211
Public Safety	481	56	425
TOTAL	4 818	566	4 252

STAFF COSTS REFLECTED AS A PERCENTAGE OF TOTAL INCOME

Complement reduced due to change in complement.

As a result of a recommendation from SALGA to advise municipalities to reduce their staff costs to 30% as well as a requirement for the Restructuring Grant allocation from National Treasury that personnel expenditure be a maximum of 30% of total income, Buffalo City Municipality commenced a project to reduce staff costs. The reduction in staff costs as a percentage of total income is set out below:

	2001/02	2002/03	2003/04	2004/05	2005/06
	R	R	R	R	R
Salaries	333,304,001	360,716,999	409,091,379	437,831,280	462,044,162
Total income	914,848,136	1,024,343,091	1,184,083,265	1,547,182,469	1,605,062,291
Salaries % of total income	36%	35%	35%	28%	29%

Chapter 3: Employee qualification profile

Section 3.1: Employee qualification profile as at 30 June 2006

SECTION 3.1:
QUALIFICATION PROFILE

Employment category	Highest level qualifications held by employees																						
	Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		Unknown		Total		Total
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Leadership & governance SOC 100																							
Executive mayor												1										1	1
Mayor																					0	0	0
Councillors			4	2	3	1	11	6	23	19	4	9	1	1	1	2					47	40	87
Chairperson																					0	0	0
Board member																					0	0	0
Other (specify below)																							
																					0	0	0
Senior officials and managers SOC 100																							
CEO/MD																					0	0	0
Executive directors																					0	0	0
Directors											2		2			1					4	1	5
Financial directors													1								1	0	1
City/municipal/district manager													1								1	0	1
Department/division heads													10	2		2	1				11	4	15
Plant managers													23	7		1	1	1			24	9	33
Information technology													1								1	0	1
Other (specify below)																							
																					0	0	0

Section 3.1 Qualification profile

Highest level qualifications held by employees

Employment category	Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		Unknown		Total		Total
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Professionals SOC 200																							
Health care											6	1	2	5							8	6	14
Public safety/emergency services											22			1							22	1	23
LED													2	1						1	2	2	4
Water conservation/treatment											8	2									8	2	10
Waste													2								2	0	2
Client services																					0	0	0
Parks/community facilities									4		10	7	1								15	7	22
Community development																					0	0	0
Public transport																					1	0	1
Land management											4	1	7								11	1	12
Housing administration													1								1	0	1
Environmental management																					0	0	0
Roads									2		3										5	0	5
Electricity											17		5								22	0	22
Information technology											2	1									2	1	3
Corporate services/Core administration											6	5		4							6	9	15
Core finance										2	4	2	6	3							10	7	17
Technicians/associated professionals SOC 300																							
Health care											8	82	6	14							14	96	110
Public safety/emergency services											138	22									138	22	160
LED													2	2							2	2	4

Section 3.1 Qualification profile

Highest level qualifications held by employees

Employment category	Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		Unknown		Total		Total
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Water conservation/treatment											52	10									52	10	62
Waste							10		30												40	0	40
Client services																					0	0	0
Parks/community facilities							37	40	6	12		10									53	62	105
Community development																					0	0	0
Public transport									6		4	3									10	3	0
Land management											20	13	6	2							26	15	41
Housing administration											6	3									6	3	9
Environmental management																					0	0	0
Roads									27		3										30	1	31
Electricity											22										22	0	22
Information technology											6	1									6	1	7
Corporate services/Core administration											19	29	12	10		2					31	41	72
Core finance										8	11	15	7	9							18	32	50

Section 3.1: Qualification profile

Highest level qualifications held by employees																							
Employment category	Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		Unknown		Total		Total
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Skilled agric & fishery workers SOC 600																							
Health care																					0	0	0
Public safety/emergency services																					0	0	0
LED																					0	0	0
Water conservation/treatment																					0	0	0
Waste																					0	0	0
Client services																					0	0	0
Parks/community facilities																					0	0	0
Community development																					0	0	0

Highest level qualifications held by employees																							
Employment category	Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		Unknown		Total		Total
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Roads									1	2	1	4									2	0	8
Electricity									2	4	1	11									3	15	18
Information technology										2	2	6									2	8	10
Corporate services/Core administration									17	21	4	5									21	26	47
									7	24	40	95									47	119	169

Section 3.1: Qualification profile

Highest level qualifications held by employees																							
Employment category	Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		Unknown		Total		Total
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Service workers SOC 500																							
Health care																					0	0	0
Public safety/emergency services									102	18	36	4									138	22	160
LED																					0	0	0
Water conservation/treatment																					0	0	0
Waste																					0	0	0
Client services																					0	0	0
Parks/community facilities																					0	0	0
Community development																					0	0	0
Public transport																					0	0	0
Land management																					0	0	0
Housing administration																					0	0	0
Environmental management																					0	0	0
Roads																					0	0	0
Electricity																					0	0	0
Information technology																					0	0	0
Corporate services/Core administration																					0	0	0
Core finance																					0	0	0

Section 3.1: Qualification profile

Craft & related workers SOC 700																							
Health care																					0	0	0
Public safety/emergency services											7										7	0	7
LED																					0	0	0
Water conservation/treatment											54										54	0	54
Waste																					0	0	0
Client services																					0	0	0
Parks/community facilities											24	5									29	0	29
Community development																					0	0	0
Public transport											8										8	0	8
Land management											15										15	0	15
Housing administration																					0	0	0
Environmental management																					0	0	0

Highest level qualifications held by employees																							
Employment category	Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		Unknown		Total		Total
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Roads											6										6	0	6
Electricity											44	6									44	6	50
Information technology																					0	0	0
Corporate services/Core administration																					0	0	0
Core finance																					0	0	0

Section 3.1: Qualification profile

Highest level qualifications held by employees																							
Employment category	Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		Unknown		Total		Total
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Plant & machine operators SOC 800																							
Health care							1														1	0	1
Public safety/emergency services							2														2	0	2
LED																					0	0	0
Water conservation/treatment	6		20		25		5		4	3											60	3	63
Waste					2		22		7												31	0	31
Client services																					0	0	0
Parks/community facilities			90		31	2	18	3	23	3											162	8	170
Community development																					0	0	0
Public transport							13														13	0	13
Land management																					0	0	0
Housing administration							1														1	0	1
Environmental management																					0	0	0
Roads	7		9		8		6		9												39	0	39
Electricity			10		8		16		4	1											38	1	39
Information technology									4	1											4	1	5
Corporate services/Core administration																					0	0	0
Core finance					2		2		8												12	0	12

Section 3.1: Qualification profile

Highest level qualifications held by employees																							
Employment category	Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		Unknown		Total		Total
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Elementary occupations SOC 900																							
Health care			3	2	2	4	5	8	4	8											14	22	36
Public safety/emergency services			4		7	2	10	3	1												24	5	29
LED																					0	0	0
Water conservation/treatment			265	1	5	3	2	2	3	2											275	8	283
Waste			152	71	77	61	45	34	25	26											299	192	491
Client services																					0	0	0

Highest level qualifications held by employees																							
Employment category	Below NQF 1		NQF 1		NQF 2		NQF 3		NQF 4		NQF 5		NQF 6		NQF 7		NQF 8		Unknown		Total		Total
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
Parks/community facilities			189	17	68	67	55	15	31	18											343	117	460
Community development																					0	0	0
Public transport			5	4	3	2	2	4	5	10											15	20	30
Land management			6	2		4		2													6	8	14
Housing administration			3	5	2	4	4	3	2	5											11	17	28
Environmental management																					0	0	0
Roads			106	2	30	3	15	3	12	2											163	10	173
Electricity			95		8	2	7	3	22	2											132	7	139
Information technology				1																	0	1	1
Corporate services/Core administration			2	11		5		6		6											2	28	30
Core finance			4	4		12		5		1 4											4	35	39
Apprentices																					0	0	0
TOTALS for whole enterprise	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2781	1235	4016

Current Status

Section 3: Employee qualification profile

Section 5.2: Process used to complete the qualification profile Indicate the process used to complete the qualification profile (required information)		
Description	**Yes/No**	**Comment**
Looked at formal qualifications	No	
Considered all training, both formal and informal	No	
Interviewed each employee	No	
Conducted Recognition of Prior Learning (RPL) Process	No	
Skills audit	Yes	
Other (specify): Old records from employee files	Yes	

		2006 R	2005 R
22	EMPLOYEE RELATED COSTS		
	Salaries and Wages	384,874,388	366,363,681
	Social Contributions	77,169,774	71,385,286
	Less: Employee Costs Capitalised to PPE	-	-
		462,044,162	437,748,967
	Remuneration of the City Manager		
	Basic Salary	407,098	465,948
	Deferred Compensation	148,137	169,556
	Performance Bonus	-	-
	Other	339,239	388,305
	Total	894,474	1,023,809
	(Note: The above amounts are for the 2005/2006 financial year for the period 01 July 2005 to 26 April 2006. The incumbent's services were however terminated on 26 April 2006. In addition an amount of R151,487.98 was paid in respect of leave and is not included in the above calculation. At the time of the City Manager's termination the value of the Deferred Compensation policy was R861,805.56 and after a part withdrawal i.r.o amounts due to Buffalo City Municipality, the policy was ceded back to the City Manager.)		
	Remuneration of the Chief Financial Officer		
	Annual Remuneration	495,302	465,948
	Other	330,202	310,644
	Performance Bonus (Paid i.r.o 2003/2004 financial year)	-	127,323
	Performance Bonus (Paid i.r.o 2004/2005 financial year)	77,988	-
	Performance Bonus (Paid i.r.o 2005/2006 financial year)	82,550	-
	Total	986,042	903,915
	Remuneration of the Director of Corporate Services		
	Annual Remuneration	495,302	465,948
	Other	330,202	310,644
	Performance Bonus (Paid i.r.o 2003/2004 financial year)	-	117,943
	Performance Bonus (Paid i.r.o 2004/2005 financial year)	77,988	-
	Performance Bonus (Paid i.r.o 2005/2006 financial year)	82,550	-
	Total	986,042	894,535

Remuneration of the Director of Engineering Services	2006 R	2005 R
Annual Remuneration	495,302	465,948
Other	330,202	310,644
Performance Bonus (Paid i.r.o 2003/2004 financial year)	-	99,820
Performance Bonus (Paid i.r.o 2004/2005 financial year)	77,988	-
Performance Bonus (Paid i.r.o 2005/2006 financial year)	82,550	-
Total	986,042	876,412
Remuneration of the Director of Development Planning		
Annual Remuneration	495,302	465,948
Other	330,202	310,644
Performance Bonus (Paid i.r.o 2003/2004 financial year)	-	108,977
Performance Bonus (Paid i.r.o 2004/2005 financial year)	77,988	-
Performance Bonus (Paid i.r.o 2005/2006 financial year)	82,550	-
Total	986,042	885,569
Remuneration of the Director of Social Services		
Annual Remuneration	495,302	465,948
Other	330,202	310,644
Performance Bonus (Paid i.r.o 2003/2004 financial year)	-	121,215
Performance Bonus (Paid i.r.o 2004/2005 financial year)	77,988	-
Performance Bonus (Paid i.r.o 2005/2006 financial year)	82,550	-
Total	986,042	897,807
Remuneration of the Director of Mayoral Office		
For the period 01 July 2005 to 31 March 2006		
Annual Remuneration	381,060	312,000
Other	254,040	288,000
Total	635,100	600,000
For the period 01 April 2006 to 30 June 2006		
Annual Remuneration	495,302	465,948
Other	330,202	310,644
Total	825,504	776,592

(Note: The above amounts are for the 2005/2006 financial year. The incumbent's employment contract was amended with effect from 01 April 2006 and the applicable rates were applied pro rata. No bonus was paid but a provision of R72,148 was made for the 2005/2006 financial year.)

23 REMUNERATION OF COUNCILLORS	2006 R	2005 R
Executive Mayor	287,088	271,478
Deputy Executive Mayor	-	17,074
Speaker	229,671	217,183
Mayoral Committee Members	1,879,393	1,832,481
Councillors	5,647,923	5,322,067
Councillors' Pension and Medical Contribution	1,300,870	1,276,686
Other	4,045,203	2,944,898
Total Councillors' Remuneration	13,390,148	11,881,867
In-Kind Benefits		

The Executive Mayor, Speaker and Mayoral Committee Members are full-time.

PREPARATION
INSTRUCTIONS

LEGAL SERVICES

The purpose of this unit is to provide legal advice to officials, co-ordinate outsourced legal activities, review and interpret new legislation applicable to the municipality and ensure compliance of new by-laws with the Constitution.

In this regard a large number of legal opinions are provided to officials on various matters; legal matters are outsourced to legal firms depending on their areas of expertise; new and existing legislation is scanned for its impact on municipal activities and draft by-laws are reviewed to ensure compliance with the Constitution and other relevant legislation.

RESEARCH, POLICY AND KNOWLEDGE MANAGEMENT

The purpose of this unit is the facilitation, co-ordination and implementation of research, policies and knowledge management within Buffalo City Municipality.

This involves the documentation of research guidelines for establishing scientific and ethical standards and guidelines for best practice; the gathering of data for administering questionnaires on behalf of government institutions; the capacity building of employees in research methodologies by transferring skills and the establishment of strategic partnerships with relevant stakeholders i.e. tertiary institutions and other researchers in the region.

The unit addresses the alignment and integration of policies within an approved framework; the monitoring and review thereof; the creation and maintenance of a policy database and interaction with the respective owners of policies in Buffalo City Municipality.

With regard to knowledge management an awareness and platform for the exchange was created within Buffalo City Municipality. An audit of knowledge assets has commenced which will form the basis for the development of a Knowledge Management Programme in Buffalo City Municipality.

In addition, partnerships and learning networks were created with other local authorities within South Africa.

ORGANISATIONAL SUPPORT

The purpose of this department is to provide support to the municipality and the Council with regard to information and communications technology, geographical information systems (GIS), administrative and logistical services and telecommunications.

GEOGRAPHICAL INFORMATION SYSTEMS (GIS) UNIT

This unit concentrated on the updating of cadastre information, end user training for GISTEXT and GIS, training for Councillors in the use of GIS; the development of a web-based GIS solution and with the support of the Swedish International Development Agency (SIDA), four primary projects received attention i.e. support for customer care, development of a safety and security application, a burial management application and the development of a culture and heritage project.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

Various projects were undertaken by this division i.e. to improve the computer data networks by implementing a radio network and improving network performance; the acquisition of a massive storage area solution for disaster recovery planning and assisting in the speed and capacity of the financial systems; the procuring of end-user equipment to address backlogs and to standardise equipment; and undertaking a server consolidation exercise to modernise, consolidate and rationalise the computer servers used by the municipality.

AUXILIARY AND TELECOMMUNICATIONS SERVICES

This division reviewed and updated the municipality's manual required in terms of the Promotion of Access to Information Act; continued with the implementation of an Electronic Document Management System; obtained approval to the Buffalo City's File Plan; maintained and integrated the telecommunications networks in liaison with Legal Services and developed a step by step procedure for approval and promulgation of new municipal by-laws.

ADMINISTRATIVE AND COUNCIL SUPPORT

A new contract had been entered into for printing equipment to handle the increased volume of material to be printed. This resulted in a higher percentage of deadlines being met and a reduction in hours of overtime worked in the Printing Section.

All equipment has been acquired for the electronic management of Mayoral Committee agendas and minutes, 80% has been installed and an indexing system has been devised which is ready for presentation to the Mayoral Committee. Implementation is dependent on the finalisation of an Electronic Document Management System for Buffalo City Municipality.

The following agendas and minutes were compiled, printed and distributed for meetings of the Council and its Committees:-

		AGENDAS	MINUTES
1.	Audit Committee	7	7
2.	Mayoral Committee	20	20
3.	Council	18	18
4.	Standing Committees	47	47
5.	Strategic Committees	27	27
6.	Central Bid Committee	45	45
7.	Ward Committees	22	22
8.	Other Sub-Committees etc.	69	43
TOTAL		255	262

CHAPTER 04

AUDITED STATEMENTS & RELATED FINANCIAL INFORMATION

Chapter 4:
Audited Statements and Related Financial Information

FINANCIAL OVERVIEW : 2005/06

Rating history:	2005	2004
Long-term	zaA-	zaA-
Short-term	zaA2	zaA2

Source : CA Ratings – May 2006

Financial and operating statistics			
Year ended 30 June: (R million)		2006	2005
Funds and reserves		1 064,4	787,4
Long-term liabilities		402,4	399,8
Investments		10,7	109,9
Net current assets		427,3	218,8
Debtors		247,0	226,2
Bank and short term investments		489,1	225,0
Total income		1 605,1	1 546,3
Operating expenses		1 401,3	1 366,5
Operating surplus		203,8	179,8

1. BACKGROUND

Buffalo City Municipality is located in the Eastern Cape Province, bounded to the south-east by a long coastline along the Indian Ocean. The municipality includes the urban areas of East London, Mdantsane and King William's Town with about 280 rural villages.

East London is South Africa's only river port and is the dominant economic centre of Buffalo City. Bhisho, the capital of the former Ciskei, is now the provincial capital of the Eastern Cape.

2. ECONOMY

2.1 Demography

The municipal boundary of Buffalo City extends over a vast 2 900 km^2. It has a population of around 800 000 residents that includes 191 046 households, with an average household size of four people. Approximately 20% of the population reside in rural areas.

Table 1

Population of Buffalo City		
Area	2001	1996
King William's Town and surroundings	184 246	183 934
East London area	204 862	187 120
Mdantsane area	168 284	176 483
Rural areas	144 503	139 411
Total	701 895	686 948

Source: Statistics South Africa

Buffalo City experienced a low population growth rate of 2,8% between 1996 and 2001. A growth rate of 1% is estimated over the medium term, lower than the 3% growth rate of the country.

2.2 Economic structure

Buffalo City and Nelson Mandela are the two major economic centres in the Eastern Cape. The province is generally seen as one of the poorer provinces in South Africa, with an 8,1% contribution to the gross domestic product (GDP) of the country in 2004.

Table 2

Gross domestic product per province – Current prices			
Province	2003 R billion	2004 R billion	%
Western Cape	181,7	199,4	14,4
Eastern Cape	100,7	112,9	8,1
Northern Cape	27,8	30,0	2,2
Free State	68,5	75,8	5,5
KwaZulu- Natal	207,0	231,6	16,7
North West	79,0	87,1	6,3
Gauteng	422,0	462,0	33,3
Mpumalanga	86,4	94,4	6,8
Limpopo	83,4	93,1	6,7
GDP	**1 257,0**	**1 386,6**	**100**

Source: Statistics South Africa

The most dominant economic sector in Buffalo City is the industrial or manufacturing sector that includes the automotive, textile, pharmaceutical, electronics and food processing industries. Forming the basis of industrial activity, the automotive industry is the largest contributor to the economy of the city and is the third largest sector in the South African economy, accounting for 33% of the country's manufacturing output.

3. FINANCIAL STATUS

3.1 Revenue and expenditure overview

In terms of its revenue base Buffalo City is currently the largest category B municipality in the country. It recorded an income of R1,546,3 million in 2005 and R1 605,1 million in 2006, an increase of 3.8% from the previous year. The following table indicates the relative size of some of the larger municipalities based on revenue.

Table 3

Municipality	Revenue Rm	Population
Buffalo City	1 546,3	701 890
Emfuleni	1 466,6	658 421
Mangaung	1 405,6	645 441
Rustenburg	792,4	395 540
Matjhabeng	776,3	408 170
Klerksdorp	670,6	359 202
uMhlathuze	643,6	289 190
Polokwane	597,8	508 277
Mbombela	521,5	474 806
Drakenstein	498,6	194 419

Revenue sources of Buffalo City are similar to most local municipalities and comprise primarily income from property taxes, service charges and from the sale of water and electricity. A breakdown of the gross revenue sources of Buffalo City is as follows:

Table 4

Buffalo City's Revenue Sources				
	2005		2006	
	Rm	%	Rm	%
Property rates	255,4	16,5	271,4	16,9
Grants	417,2	27,0	405,3	25,3
Electricity	387,0	25,0	409,8	25,5
Water	146,4	9,5	144,3	9,0
Other service charges	188,1	12,2	202,3	12,6
Other income	152,2	9,8	172,0	10,7
TOTAL	1 546,3	100,0	1 605,1	100,0

Prior to the 2005 and 2006 financial periods, grants and subsidies from government comprised a smaller portion of Buffalo City's income. In 2006 the city received 25,3% of its revenue in the form of grants, compared to 12,3% in 2003, 17,2% in 2004 and 27,0% in 2005. Total grants of R405,3 million include the equitable share and provincial grants of various natures. Future grants appear to be on the increase, based on central government's policy to improve service delivery at municipal level.

The primary future revenue source is property rates levied on the value of the land, including the value of improvements. In 2006, this revenue source of R271,4 million contributed 16,9% of the revenue. Buffalo City's property valuation demonstrates a well-diversified and stable tax base. Table 5 reflects the property valuation:

Table 5

Property Valuation		
	2005	2006
	Rbn	Rbn
Residential	6,0	6,2
Commercial	3,8	3,9
State	1,2	1,2
Municipal	0,3	0,3
Total	11,2	11,6
Average rate earned (cent)	2,28	2,33

Trading services such as water and electricity sales jointly comprise 34,5% of total revenue. Water distribution losses remain high at 40,18% compared to the national standard of around 20%. The city has set a target to reduce the distribution losses to 30% over the medium term.

The sale of electricity contributed 25,5% of the city's income. Buffalo City provides electricity to the urban and semi-urban areas in its jurisdiction whereas Eskom provides to the rural areas. Distribution losses at 10,7% of units bought are acceptable when compared with the industry average and reflect a well-managed electricity distribution network.

The operating expenditure for 2006 of Buffalo City is largely inflexible and requires sound budgeting and discipline to keep costs within budget. Most of the expenditure items were slightly below budget except bad debt charges, interest paid and general expenses.

Overall the actual costs were slightly below budget. The growth in expenses of 2,5% was below the revenue growth of 3,8% which resulted in the strong operating surplus.

The following table reflects a breakdown of the operating expenses of the municipality:

Table 6

Operating Expenditure				
	2005		2006	
	Rm	%	Rm	%
Bad debts	80,6	5,9	52,4	3,7
Electricity purchases	221,7	16,2	227,0	16,2
Water purchases	57,1	4,2	62,6	4,5
Depreciation	59,4	4,3	70,8	5,1
Employee costs	449,6	32,9	475,4	33,9
Interest paid	57,4	4,2	56,2	4,0
Other expenses	368,6	27,0	385,4	27,5
Repairs and maintenance	72,0	5,3	71,5	5,1
	1 366,4	100,0	1 401,3	100,0

Municipal services are labour intensive and staff remuneration normally constitutes a large proportion of the municipality's expense budget. The staff-to-income ratio of Buffalo City at 29,6% reflects a slight increase from the 29,1% in 2005, but is still currently below the norm of 30%.

Councillors' costs comprise a minor portion of total expenditure.

Electricity purchases comprise 16,2% of total expenses. This cost item might be transferred to a Regional Electricity Distribution (RED) over the following year or two.

The purchase of water comprises only 4,5% of expenses as Buffalo City controls most of its water resources. The city purchases below 20% of its water supply from the Amatola Water Board.

Maintenance expenditure on existing infrastructure is a very crucial expense item and is sometimes given less priority than other items. The deferment of maintenance is common practice among municipalities. While the deferment of maintenance expenditure has short-term cash flow benefits, it has adverse long-term effects on operating costs and the sustainability of quality service delivery. Buffalo City's external maintenance costs comprise 5,1% of total expenses (5,3% - 2005) and 6,8% of the carrying value of its fixed assets (8,3% - 2005). Both these ratios have decreased slightly from the previous year and Council remains concerned that the maintenance is not at the optimum level. Water and electricity infrastructure require refurbishment to bring it to acceptable service levels.

Buffalo City recorded an operating surplus in 2006. The operating budget indicates moderate increases for the next three years.

3.2 Debt management

Buffalo City's credit rating is supported by a stable balance sheet in spite of the pressure on infrastructure spending that will remain high in order to eradicate backlogs in basic services and to support and facilitate economic development.

The city's financial strategy is considered conservative and borrowing was kept at modest levels during 2006. Interest bearing liabilities increased in 2006. Long-term loans consist of local stock and other loans that bear interest at rates between 9,05% and 17,9% per annum.

The slightly lower debt level combined with the growth in revenue resulted in the debt-to-revenue ratio improving from 27,5% in 2005 to 26,1% in 2006. Debt-to-own source revenue (excluding grants) also improved from 37,6% in 2005 to 34,9% in 2006 and reflects a modest debt level for the city. The current debt burden is already within the financial goals approved by Council who set the interest bearing debt-to-income target at 35% of revenues by 2007.

The pressures on capital expenditure are expected to remain high over the long-term. Cash outlay on capital expenditure for the 2006 financial year at R257,5 million was higher than in 2005 and below budget. This was primarily as a result of the lengthy process of implementation of capital projects and to obtain funds in the form of grants and subsidies from other spheres of government.

Buffalo City plans to spend some R1,5 billion on capital projects over the next five years. The spending in 2007 is ambitious at R475 million. Over the next three years borrowing is expected to reach roughly R583 million in 2008 with the additional R250 million that is expected to be financed from external sources and repayment of liabilities maturing within this period.

The following table illustrates future capital expenditure plans for the next three years:

Table 7

Capital projects				
Year	Capex Rm	Own funds Rm	Borrowing Rm	Grants Rm
2006	456,2	23,7	151,4	281,1
2007	279,0	22,2	55,9	200,8
2008	245,4	19,0	46,1	180,3
Total	980,6	64,9	253,4	662,2

The ratio of interest bearing debt-to-revenue should reach 35% which is somewhat higher than the 26,6% in 2006. This is considered manageable compared with that of other metros and in line with the city's strategy to synchronise future borrowings with revenue growth. It is therefore unlikely that the debt burden of the city will increase above these levels over the medium-term.

Buffalo City's interest charges at 3,8% of revenue is relatively low. The additional borrowings are going to increase the finance charges to approximately 4,9% of total revenue in 2008, but it is still considered to be within the affordability measures of a municipality. Additional payments should be in the region of R16 million per annum, with an average loan life of 14,5 years.

The net increase in cash and cash equivalents increased from R109,68 million to R264,06 million. Approximately R70 million of this movement is attributable to re-classification of short-term investments, which was allocated under current assets. A net cash flow of R264,06 million was recorded in 2006, also strongly up from 2005, that translates into a payback period of its interest-bearing debt of less than four years. Future cash flows are expected to remain sound underpinned by good own source revenues and acceptable debt levels.

3.3 Liquidity management

Buffalo City's liquidity position is considered sound given the net cash resources and monthly cash flows. The city has an active cash management system in operation to control this crucial aspect of its finance. Over the last decade municipalities have been burdened by a culture of non-payment for services resulting in generally low collection rates and increasing outstanding debtor's balances.

During 2006 Buffalo City's gross debtors grew by 8,9% to R398,7 million before bad debt write-offs of R36,2 million. However, net debtors after provisions for bad debts decreased to R147,3 million from R227,4 million. The debtors' collection period as a percentage of billings is 96,05%. Although this ratio is less than ideal it compares well with that of the other large cities in South Africa.

The age analysis of Buffalo City's outstanding debtors indicates balances older than 180 days of R262,4 million but provisions of only R171,2 million were raised against them.

Table 9

Debtors Age Analysis			
Days	2004 Rm	2005 Rm	2006 Rm
Current	86,7	91,5	87,9
60 Days	21,8	21,0	20,4
90 Days	19,0	15,7	15,3
180 Days	14,0	12,8	12,7
180+ Days	247,9	226,4	262,4
Gross debtors	389,5	367,4	398,7
Provisions	175,1	139,9	171,2
Net debtors	214,4	227,4	147,3

Source: CA Ratings

Maintaining and improving the current collection rate is crucial for the financial sustainability of the city, and it remains a key rating consideration. The city's current ratio of 2,25 will also be adversely affected should the additional write-off occur.

Investment balances have grown handsomely during the year to R454,9 million as a result of sound operational cash flows and grants received. However the cash investments reflect the cash backing of certain reserves, in aggregate R44,4 million, as well as unspent conditional grants of R193,1 million. Some R10,2 million are sinking fund investments linked to the redemption of long-term loans and the remaining R204,5 million are available as the city's own discretionary funds which is considered adequate relative to monthly operational cash requirements. Subsequent to the year end Buffalo City obtained a guarantee from the IFC to replace the sinking fund investments. Accordingly these investments are available to utilise for operational and capital expenditure.

The improvement in the cash flows from operations in 2006 contributed to an improved coverage ratio and working capital. Cash from operations cover interest payments with 5,13 times in 2006. Operating cash flow cover short-term liabilities compared with 0,88 times in 2006. These coverage ratios should remain strong if the city maintains its current level of collections.

4. CONCLUSION

The City's overall financial profile is encouraging and is well placed to deal with the demands for improved service delivery.

BCM's Consolidated Annual Financial Statements

FOR THE YEAR ENDED – 30 JUNE 2006

1 Consolidated Statement of Financial Position
2 Consolidated Statement of Financial Performance

3a Consolidated Statement of Changes in Net Assets – Municipality
3b Consolidated Statement of Changes in Net Assets – Economic Entity

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7 Appendices:
- A Schedule of External Loans
- B (i) Analysis of Property, Plant and Equipment – Municipal
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- C Segmental Analysis of Property, Plant and Equipment
- D Segmental Statement of Financial Performance
- E Actual vs. Budget (Revenue and Expenditure)
- F Actual vs. Budget (Acquisition of Property, Plant and Equipment)
- G Consolidated Conditional Grants and Receipts
- H Disclosure of Consolidated Conditional Grants and Receipts

I am responsible for the preparation of these Consolidated Annual Financial Statements, which are set out on pages 90 to 154, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 23 of these Consolidated Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr. G. G. Sharpley
Municipal Manager

Consolidated Statement of Financial Position

AT 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
NET ASSETS AND LIABILITIES				
Net Assets	**1,064,748,244**	**787,568,022**	**787,403,665**	**1,064,432,749**
COID Fund	6,850,830	5,979,312	5,979,312	6,850,830
Capital Replacement Reserve	15,710,413	9,288	9,288	15,710,413
Capitalisation Reserve	61,508,311	69,070,999	69,070,999	61,508,311
Government Grant Reserve	350,379,392	233,944,178	233,944,178	350,379,392
Donations and Public Contributions Reserve	80,743,673	79,455,516	79,455,516	80,743,673
Self-Insurance Reserve	21,269,882	17,783,069	17,783,069	21,269,882
Revaluation Reserve	238,767,191	192,063,916	192,063,916	238,767,191
Accumulated Surplus	289,518,552	189,261,744	189,097,387	289,203,057
Non-Current Liabilities	**402,431,183**	**399,804,466**	**399,804,466**	**402,431,183**
Long-Term Liabilities	402,431,183	399,804,466	399,804,466	402,431,183
Non-Current Provisions	-	-	-	-
Current Liabilities	**412,839,995**	**365,124,056**	**364,711,795**	**410,066,513**
Consumer Deposits	22,254,393	20,258,578	20,258,578	22,254,393
Current Provisions	566,057	1,524,378	1,524,378	566,057
Creditors	177,391,413	166,139,819	166,120,819	177,186,651
Unspent Conditional Grants and Receipts	195,631,843	152,040,789	151,667,292	193,130,040
Taxation	66,917	19,764	-	-
Current Portion of Long-Term Liabilities	16,929,372	25,140,728	25,140,728	16,929,372
Total Net Assets and Liabilities	1,880,019,422	1,552,496,544	1,551,919,926	1,876,930,445
ASSETS				
Non-Current Assets	**1,062,053,656**	**988,663,256**	**988,640,002**	**1,061,853,676**
Property, Plant and Equipment	1,045,098,327	872,482,718	872,459,464	1,044,898,347
Investments	10,693,315	109,883,993	109,883,993	10,693,315
Investment in Associate	5,172,373	3,754,258	3,754,258	5,172,373
Long-Term Receivables	1,089,641	2,542,287	2,542,287	1,089,641
Current Assets	**817,965,766**	**563,833,288**	**563,279,924**	**815,076,769**
Inventory	17,163,895	15,329,312	15,329,312	17,163,895
Consumer Debtors	247,007,096	226,188,821	226,188,821	247,007,096
Other Debtors	38,935,298	77,144,493	77,144,493	38,932,491
VAT	22,083,518	18,071,220	18,071,220	21,976,213
Current Portion of Long-Term Receivables	945,103	1,559,531	1,559,531	945,103
Call Investment Deposits	439,076,809	179,891,701	179,891,701	436,361,055
Cash	2,485,851	1,360,018	1,360,018	2,485,665
Bank	50,268,196	44,288,192	43,734,828	50,205,251
Total Assets	1,880,019,422	1,552,496,544	1,551,919,926	1,876,930,445

Consolidated Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2006

		ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	Note	2006	2005	2006	2005
		R	R	R	R
REVENUE					
Property Rates	17	271,161,157	254,735,277	254,735,277	271,161,157
Property Rates/Penalties Imposed		204,917	703,312	703,312	204,917
Service Charges	18	756,398,603	721,508,092	721,508,092	756,404,853
Rental of Facilities and Equipment		9,649,462	9,406,209	9,406,209	9,649,462
Interest Earned - External Investments		43,281,158	27,486,741	27,425,116	43,232,051
Interest Earned - Outstanding Debtors		21,170,524	30,127,445	30,127,445	21,170,524
Dividends Received		163,327	-	-	163,327
Fines		9,183,556	9,558,805	9,558,805	9,183,556
Licences and Permits		8,679,557	11,996,458	11,996,458	8,679,557
Government Grants and Subsidies	19	207,236,867	197,881,162	197,459,659	206,491,677
Other Income	20	72,601,752	59,770,026	59,770,026	72,598,647
Operating Project Grants	19	57,243,243	93,843,587	93,843,587	57,243,243
Government Grants - Property, Plant & Equipment	19	133,505,854	104,447,382	104,447,382	133,505,855
Donations & Public Contributions - Property, Plant & Equipment	19	8,092,821	21,403,246	21,403,246	8,092,821
Gains on Disposal of Property, Plant and Equipment		7,280,645	3,941,415	3,941,415	7,280,644
Total Revenue		1,605,853,443	1,546,809,157	1,546,326,029	1,605,062,291
EXPENDITURE					
Employee Related Costs	22	462,934,198	437,830,726	437,748,967	462,044,162
Remuneration of Councillors	23	13,464,248	11,881,867	11,881,867	13,390,148
Bad Debts	14	52,405,457	80,619,038	80,619,038	52,405,457
Collection Costs		6,279,592	4,418,170	4,418,170	6,279,592
Depreciation	10	70,867,534	59,381,168	59,375,953	70,833,674
Repairs and Maintenance		71,477,806	72,000,699	72,000,699	71,473,689
Interest Paid	24	56,232,102	57,429,624	57,429,624	56,227,230
Bulk Purchases	25	289,517,973	278,789,047	278,789,047	289,517,973
Contracted Services		4,327,936	3,376,643	3,376,643	4,327,936
Grants and Subsidies Paid	26	4,065,172	3,427,084	3,427,084	4,494,997
General Expenses - Other	21	369,907,655	357,639,095	357,427,061	370,265,451
Total Expenditure		1,401,479,673	1,366,793,161	1,366,494,153	1,401,260,309
SURPLUS		204,373,770	180,015,996	179,831,876	203,801,982
Taxation	7a	47,153	19,764	-	-
SURPLUS AFTER TAXATION		204,326,617	179,996,232	179,831,876	203,801,982
SURPLUS ATTRIBUTABLE TO BCM MUNICIPALITY		204,326,617	179,996,232	179,831,876	203,801,982
Share of surplus of associate accounted for under the equity method	37	1,418,115	3,753,998	3,753,998	1,418,115
SURPLUS FOR THE YEAR		205,744,732	183,750,230	183,585,874	205,220,097

Consolidated Statement of Changes in Net Assets

FOR THE YEAR ENDED 30 JUNE 2006 - MUNICIPALITY

	COID Fund	Capital Replacement Reserve	Capitalisation Reserve
	R	R	R
2005			
Balance at 01 July 2004	6,029,672	79,055	305,256,437
Transactions i.r.o. Previous Year	-	-	-
Correction of Error (Note 36)	-	-	-
Changes in Accounting Policy (Note 39)	-	-	(228,622,749)
Restated Balance	6,029,672	79,055	76,633,688
Surplus for the year	-	-	-
Transfer to CRR	-	-	-
Transfer Interest Earned to Grants and Donations	-	-	-
Property, Plant and Equipment Purchased	-	(69,767)	-
Capital Grants used to Purchase PPE	-	-	-
VAT Corrections	-	-	-
Donated/Contributed PPE	-	-	-
Transfer to Provision	-	-	-
Insurance Claims Processed	(50,360)	-	-
Offsetting of Depreciation	-	-	(7,562,689)
Balance at 30 June 2005	5,979,312	9,288	69,070,999
2006			
Balance at 01 July 2005	5,979,312	9,288	69,070,999
Correction of Error (Note 36)	-	-	-
Changes in Accounting Policy (Note 39)	-	-	-
Restated Balance	5,979,312	9,288	69,070,999
Surplus for the year	-	-	-
Transfer to CRR	-	62,031,475	-
Transfer to Revaluation Reserve	-	-	-
Property, Plant and Equipment Purchased	-	(46,330,350)	-
Capital Grants used to Purchase PPE	-	-	-
VAT Corrections	-	-	-
Other Transactions	-	-	-
Donated/Contributed PPE	-	-	-
Depreciation on donated PPE	-	-	-
Transfer to / from Provisions	-	-	-
Insurance Claims Processed	871,518	-	-
Offsetting of Depreciation	-	-	(7,562,688)
Balance at 30 June 2006	6,850,830	15,710,413	61,508,311

Consolidated Statement of Changes in Net Assets

FOR THE YEAR ENDED 30 JUNE 2006 - MUNICIPALITY

Government Grant Reserve	Donations and Public Contributions Reserve	Self-Insurance Reserve	Revaluation Reserve	Accumulated Surplus	Total
R	R	R	R	R	R
166,746,291	57,551,835	18,577,542	-	44,438,808	598,679,640
-	-	-	-	30,768,120	30,768,120
(26,476,830)	(130,806)	-	-	-	(26,607,636)
-	-	-	199,731,371	27,924,907	(966,471)
140,269,461	57,421,029	18,577,542	199,731,371	103,131,835	601,873,653
-	-	-	-	179,831,876	179,831,876
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	69,767	-
106,476,354	-	-	-	(106,476,354)	-
-	-	-	-	5,518,185	5,518,185
-	23,098,037	-	-	(23,098,037)	-
-	-	-	-	-	-
-	-	(794,473)	-	-	(844,833)
(11,017,315)	(5,524,964)	-	(7,667,455)	31,772,423	-
235,728,500	74,994,102	17,783,069	192,063,916	190,749,695	786,378,881
235,728,500	74,994,102	17,783,069	192,063,916	190,749,695	786,378,881
(1,784,322)	4,461,414	-	-	(1,652,308)	1,024,784
-	-	-	-	-	-
233,944,178	79,455,516	17,783,069	192,063,916	189,097,387	787,403,665
-	-	-	-	205,220,097	205,220,097
-	-	-	-	(62,031,475)	-
-	-	-	54,292,374	-	54,292,374
-	-	-	-	46,330,350	-
133,505,855	8,092,821	-	-	(141,598,676)	-
-	-	-	-	11,633,905	11,633,905
49,425	(49,425)	-	-		
-	-	-	-	13,902,813	13,902,813
-	-	-	-	(13,902,813)	(13,902,813)
-	-	-	-	1,524,378	1,524,378
-		3,486,813			4,358,331
(17,120,066)	(6,755,239)	-	(7,589,099)	39,027,092	-
350,379,392	80,743,673	21,269,882	238,767,191	289,203,057	1,064,432,749

Consolidated Statement of Changes in Net Assets

FOR THE YEAR ENDED 30 JUNE 2006 - ECONOMIC ENTITY

	COID Fund	Capital Replacement Reserve	Capitalisation Reserve
	R	R	R
2005			
Balance at 01 July 2004	6,029,672	79,055	305,256,437
Transactions i.r.o. Previous Year	-	-	-
Correction of Error (Note 36)	-	-	-
Changes in Accounting Policy (Note 39)	-	-	(228,622,749)
Restated Balance	6,029,672	79,055	76,633,688
Surplus for the year	-	-	-
Transfer to CRR	-	-	-
Transfer Interest Earned to Grants and Donations	-	-	-
Property, Plant and Equipment Purchased	-	(69,767)	-
Capital Grants used to Purchase PPE	-	-	-
VAT Corrections	-	-	-
Donated/Contributed PPE	-	-	-
Transfer to Provision	-	-	-
Insurance Claims Processed	(50,360)	-	-
Offsetting of Depreciation	-	-	(7,562,689)
Balance at 30 June 2005	5,979,312	9,288	69,070,999
2006			
Balance at 01 July 2005	5,979,312	9,288	69,070,999
Correction of Error (Note 36)	-	-	-
Changes in Accounting Policy (Note 39)	-	-	-
Restated Balance	5,979,312	9,288	69,070,999
Surplus for the year	-	-	-
Transfer to CRR	-	62,031,475	-
Transfer to Revaluation Reserve	-	-	-
Property, Plant and Equipment Purchased	-	(46,330,350)	-
Capital Grants used to Purchase PPE	-	-	-
VAT Corrections	-	-	-
Other Transactions	-	-	-
Donated/Contributed PPE	-	-	-
Depreciation on donated PPE	-	-	-
Transfer to / from Provisions	-	-	-
Insurance Claims Processed	871,518	-	-
Offsetting of Depreciation	-	-	(7,562,688)
Balance at 30 June 2006	6,850,830	15,710,413	61,508,311

Note: Closing balance for Accumulated surplus on the 2004/05 Consolidated signed Statements	191,308,868
Less: Reallocation of grant funding on restated BCDA 2004/05 financial statements	(373,496)
Net change in capitalisation on restated BCDA 2004/05 financial statements	(1,555)
Restated balance for Accumulated Surplus on 30 June 2005	190,933,817

Consolidated Statement of Changes in Net Assets

FOR THE YEAR ENDED 30 JUNE 2006 - ECONOMIC ENTITY

Government Grant Reserve	Donations and Public Contributions Reserve	Self-Insurance Reserve	Revaluation Reserve	Accumulated Surplus	Total
R	R	R	R	R	R
166,746,291	57,551,835	18,577,542	-	44,438,808	598,679,640
-	-	-	-	30,768,120	30,768,120
(26,476,830)	(130,806)	-	-	-	(26,607,636)
-	-	-	199,731,371	27,924,907	(966,471)
140,269,461	57,421,029	18,577,542	199,731,371	103,131,835	601,873,653
-	-	-	-	180,015,998	180,015,998
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	69,767	-
106,476,354	-	-	-	(106,476,354)	-
-	-	-	-	5,518,185	5,518,185
-	23,098,037	-	-	(23,098,037)	-
-	-	-	-	-	-
-	-	(794,473)	-	-	(844,833)
(11,017,315)	(5,524,964)	-	(7,667,455)	31,772,423	-
235,728,500	74,994,102	17,783,069	192,063,916	190,933,817	786,563,003
235,728,500	74,994,102	17,783,069	192,063,916	190,933,817	786,563,003
(1,784,322)	4,461,414	-	-	(1,672,073)	1,005,019
-	-	-	-	-	-
233,944,178	79,455,516	17,783,069	192,063,916	189,261,744	787,568,022
-	-	-	-	205,744,732	205,744,732
-	-	-	-	(62,031,475)	-
-	-	-	54,292,374	-	54,292,374
-	-	-	-	46,330,350	-
133,505,855	8,092,821	-	-	(141,598,676)	-
-	-	-	-	11,633,905	11,633,905
49,425	(49,425)	-	-	(373,497)	(373,497)
-		-	-	13,902,813	13,902,813
-	-	-	-	(13,902,813)	(13,902,813)
-	-	-	-	1,524,378	1,524,378
-	-	3,486,813	-	-	4,358,331
(17,120,066)	(6,755,239)	-	(7,589,099)	39,027,092	-
350,379,392	80,743,673	21,269,882	238,767,191	289,518,552	1,064,748,244

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2006

		ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
		2006	2005	2006	2005
		R	R	R	R
CASH GENERATED BY OPERATING ACTIVITIES					
Cash Receipts from Ratepayers, Government and Other		1,627,043,431	1,554,023,682	1,553,009,682	1,778,105,444
Cash Paid to Suppliers and Employees		1,274,903,416	1,142,749,070	1,142,255,278	1,428,357,301
Cash Generated from Operations	28	352,140,016	411,274,612	410,754,404	349,748,143
Portion of Surplus from Associate		1,418,115	-	-	1,418,115
VAT Adjustment		-	5,518,185	5,518,185	-
Interest Received		65,796,403	27,486,742	27,425,117	65,747,296
Interest Paid		(56,232,102)	(57,429,624)	(57,429,624)	(56,227,230)
NET CASH FROM OPERATING ACTIVITIES		363,122,432	386,849,915	386,268,082	360,686,324
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Property, Plant and Equipment		(203,425,890)	(189,927,568)	(189,899,099)	(203,215,304)
Proceeds on Disposal of Property, Plant and Equipment		7,612,952	-	-	7,612,952
Decrease in Non-Current Receivables		2,067,074	3,846,487	3,846,487	2,067,074
Decrease/(Increase) in non-current investments		97,772,563	(16,846,464)	(16,846,464)	97,772,563
NET CASH FROM INVESTING ACTIVITIES		(95,973,301)	(202,927,545)	(202,899,076)	(95,762,715)
CASH FLOW FROM FINANCING ACTIVITIES					
New Loans Raised		(5,584,639)	23,956,157	23,956,157	(5,584,639)
Increase/(Decrease) in Consumer Deposits		1,995,816	(862,677)	(862,677)	1,995,816
Non-operating Income Receipted in Provisions/Reserves		12,864,026	13,260,113	13,260,113	12,864,026
Non-operating Expenditure Charged against Provisions/Reserves		(10,133,388)	(110,034,647)	(110,034,647)	(10,133,388)
NET CASH FROM FINANCING ACTIVITIES		(858,185)	(73,681,054)	(73,681,054)	(858,185)
NET INCREASE IN CASH AND CASH EQUIVALENTS	29	266,290,946	110,241,316	109,687,952	264,065,424
Cash and cash equivalents at the beginning of the year		225,539,911	115,298,595	115,298,595	224,986,547
Cash and cash equivalents at the end of the year		491,830,857	225,539,911	224,986,547	489,051,971
		(266,290,946)	(110,241,316)	(109,687,952)	(264,065,424)
Note: the increase in non-current investments of R16 846 464 for 2005 has been restated to exclude short-term investment movements as to comply with the latest version of the specimen statements as released by National Treasury.					
The restatement was done as follows:					
Stated previously				(90,095,963)	
Less: Movement on Short-term investments				73,249,499	
Balance				(16,846,464)	
Cash and cash equivalents at the beginning of the year				8,656,392	
Short-term investment balance 30/06/2004				106,642,203	
				115,298,595	
Cash and cash equivalents at the end of the year				45,094,845	
Short-term investment balance 30/06/2005				179,891,702	
				224,986,547	

Accounting Policies

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

These annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No.56 of 2003). These accounting policies are consistent with those of the previous financial year.

The economic entity may have transactions, events or balances that are outside the ambit of the accounting standards referred to above but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants' Accounting Practices Committee. The economic entity has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GAMAP or GRAP.

2. BASIS OF CONSOLIDATION

The consolidated annual financial statements incorporate the financial statements of Buffalo City Municipality and municipal entities controlled by Buffalo City Municipality.

On acquisition, the assets and liabilities of a municipal entity are measured at their fair values at the date of commission. Where necessary, adjustments are made to the annual financial statements of municipal entities to bring the accounting policies used into line with those used by Buffalo City Municipality.

All significant transactions and balances between members of the economic entity are eliminated on consolidation.

3. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

4. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

5. COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES (COID)

This fund has been established in accordance with the Compensation for Occupational Injuries and Diseases Act No 130 of 1993. Buffalo City Municipality has been issued a certificate of exemption from the Compensation Commissioner and has been given permission to administer its own internal COID fund.

Buffalo City Municipality is still bound by the Act and claims are still approved by the Compensation Commissioner. The employee may not be awarded lesser benefits than provided for in the Act.

Buffalo City Municipality has entered into self insurance for COID for the following reasons:

- Reduction of costs
- To expedite claims and payments to Medical Practitioners
- More favorable compensation to employees.

Monthly contributions are transferred to the fund and claims are submitted to the Compensation Commissioner within 14 days after the accident becomes known.

Once confirmation has been received from the Compensation Commissioner the claim is settled by paying employees a full salary for the period not at work and settling all medical accounts as soon as received. External insurance cover has been taken out to recoup any differences in payment to employees and amounts paid by the Compensation Commissioner.

6. RESERVES

The economic entity creates and maintains reserves in terms of specific requirements.

6.1 Capital Replacement Reserve (CRR)

In order to finance the purchase of items of property, plant and equipment from internal sources, amounts are transferred from accumulated surplus to the Capital Replacement Reserve (CRR) in terms of a Council resolution. A corresponding amount is transferred to a designated CRR investment account. The following conditions are set for the creation and utilisation of the CRR:

- The cash which backs the CRR is invested until utilised. The cash may only be invested in accordance with the investment policy of Buffalo City Municipality
- Interest earned on the CRR investment is recorded as interest earned in the Statement of Financial Performance and may be appropriated to the CRR
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for Buffalo City Municipality and may not be used for the maintenance of these items
- The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised

6.2 Capitalisation Reserve

The carrying value of property, plant and equipment financed by the former Consolidated Capital Development and Loans Fund (CCDLF) that was not balanced to external loans was transferred to the capitalisation reserve instead of the accumulated surplus. This transfer is in terms of a directive issued by National Treasury (MFMA circular No. 18 dated 23 June 2005). The purpose of this reserve is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

The balance on this reserve equals the carrying value of the items of property, plant and equipment financed from the former legislative funds. When these items of property, plant and equipment are depreciated, an equivalent amount is transferred from the capitalisation reserve to the accumulated surplus.

When an item of property, plant and equipment is disposed of, the balance in the capitalisation reserve relating to such item is transferred to the accumulated surplus.

6.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grant Reserve equal to the value of the government grant recorded as revenue in the Statement of Financial Performance. This transfer is in terms of a directive issued by National Treasury (MFMA circular No. 18 dated 23 June 2005). When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

6.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contributions Reserve equal to the value of the donations and public contributions recorded as revenue in the Statement of Financial Performance. This transfer is in terms of a directive issued by National Treasury (MFMA circular No. 18 dated 23 June 2005). When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the useful lives of items of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

6.5 Self Insurance Reserve

A Self Insurance Reserve has been established to cover claims that may occur, subject to external insurance policy terms and conditions. Premiums are charged to the respective services taking into account claims history, the insured value of property, plant and equipment and number of fleet vehicles.

- Insurance premiums are paid from the reserve
- Contributions to the reserve by departments are transferred via expenditure accounts to the reserve according to amounts budgeted for in the operating budget
- Claims received from external insurers are utilised in the calculation of a gain or loss on the scrapping of damaged assets and are recorded in the Statement of Financial Performance
- Claims received in respect of repairs and/or damages to assets are reflected as income in the reserve
- Repair and replacement costs not fully covered by external insurance are financed from the insurance reserve. The repair and replacement cost is regarded as an expense and is reflected in the insurance reserve

6.6 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to the Revaluation Reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer of an equivalent amount from the revaluation reserve to the accumulated surplus. On disposal, the net revaluation surplus is transferred to the accumulated surplus while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

7. PROPERTY, PLANT AND EQUIPMENT (PPE)

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment are acquired in exchange for non- monetary or monetary property, plant and equipment or a combination of both, property, plant and equipment are measured at their fair value.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded, or the further development of an asset so that its original life is extended, are examples of subsequent expenditure which should be capitalised.

Buffalo City Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold is currently R 10 000.

7.1 Depreciation of Property, Plant and Equipment

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives:

Infrastructure	Years
Electricity	10 – 30
Roads	10 – 30
Water	15 – 20
Sewerage	15 – 20
Pedestrian malls	20
Security	3 – 5
Community	**Years**
Buildings	30
Recreational facilities	20

Other	Years
Buildings	30
Office equipment	3 – 5
Furniture and fittings	7 – 10
Bins and containers	5 – 10
Emergency equipment	5 – 15
Motor vehicles	3 – 20
Plant and equipment	2 – 15
Other	15
Investment properties	30

The economic entity has taken advantage of the transitional provisions set out in GAMAP 17. The economic entity is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present, depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets using global historical costs recorded in the accounting records. Furthermore, the economic entity has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2009.

7.2 Disposal of Property, Plant and Equipment

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

7.3 Incomplete Construction Work

Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

7.4 Impairment Losses

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it will be written down to its recoverable amount and an impairment loss charged to the Statement of Financial Performance.

8. REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated at cost or revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses on the buildings.

9. INVESTMENTS

9.1 Financial Instruments

Financial instruments, which may include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated as at cost.

9.2 Investment in Associate

An associate is an entity over which Buffalo City Municipality is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

The carrying value of the investment in associates is adjusted for Buffalo City Municipality's share of operating surpluses/(deficits) less any dividends received.

Where Buffalo City Municipality or its entities transact with an associate, unrealised gains and losses are eliminated to the

extent of the municipality's or its municipal entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Where Buffalo City Municipality is no longer able to exercise significant influence over the associate, the equity method of accounting is discontinued.

9.3 Investment in Municipal Entities

Investments in municipal entities under the ownership control of Buffalo City Municipality are carried at cost in Buffalo City Municipality's separate annual financial statements.

10. INVENTORIES

Inventories consist of consumables, raw materials, work in progress and finished goods which are valued at the lower cost or net realisable value.

Unsold properties for the purpose of resale are valued at the lower of cost or net realisable value. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs if the costs occur frequently and are separately identifiable.

Cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

The basis of determining cost is the first-in-first-out method.

11. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

12. TRADE CREDITORS

Trade creditors are stated at their nominal value.

13. REVENUE RECOGNITION

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the economic entity and these benefits can be measured reliably.

13.1 Revenue from Rates

Revenue from rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportionate basis.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers.

13.2 Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. The domestic charge is a fixed service charge and the business charge is based on the type of refuse bin and frequency of removal.

Service charges relating to sewerage and sanitation are recognised on a monthly basis by applying the approved tariff to each property. For East London the domestic charge is based on the land size of the property and the business charge is based on the square root of the land size and the number of toilets on the property. For King William's Town both the domestic and business charges are based on the number of toilets on the property.

13.3 Fines

Income in respect of spot fines and summonses is recognised when received.

13.4 Rentals

Rentals are recognised on a time proportion basis.

13.5 Approved Tariff of Charges

Revenue arising from the approved tariff of charges is recognised when the relative service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

13.6 Interest on Investments

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest may be transferred from the accumulated surplus to the CRR or the Insurance Reserve.

Interest earned on unutilised conditional grants is allocated directly to the Creditor: Unutilised Conditional Grants if the grant conditions indicate that interest is payable to the funder.

13.7 Sale of Goods

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

13.8 Interest on Outstanding Debtors

Interest on outstanding debtors is recognised on a time proportionate basis and is charged on all outstanding debtors older than 30 days.

13.9 Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation or contribution is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

13.10 Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

14. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that Buffalo City Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

15. PROVISIONS

A provision is recognised when the economic entity has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Contributions are made to or from the provisions to reflect the current best estimate.

Expenditure relating to provisions is charged to the operating account when incurred.

The economic entity makes provision for performance bonuses unpaid at year end.

16. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with registered banking institutions. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

17. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers' Act (Act No. 20 of 1998) or is in contravention of the municipality's or municipal entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade creditors denominated in foreign currency are reported at Statement of Financial Position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expenses in the period in which they arise.

Where the transaction is covered by a forward exchange contract, the rate specified in the contract is used.

21. COMPARATIVE INFORMATION

21.1 Current Year Comparatives
Budgeted amounts have been included in the annual financial statements for the current financial year only.

21.2 Prior Year Comparatives
When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

22. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the economic entity.

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight line basis over the estimated useful life.

Lease finance costs are expensed when incurred.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

23. VALUE ADDED TAX

Buffalo City Municipality accounts for Value Added Tax on the payment basis.

24. GRANTS-IN-AID

Buffalo City Municipality transfers money to individuals, institutions and organisations. When making these transfers, Buffalo City Municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction
- Expect to be repaid in future or
- Expect a financial return, as would be expected from an investment

These transfers are recognised in the Financial Statements as expenses in the period that the events giving rise to the transfer occurred. If these contracts are onerous and extend over more than one financial year they are then treated in accordance with the accounting policy on provisions outlined under 15 above.

25. UNUTILISED CONDITIONAL GRANTS

Unutilised conditional grants are reflected on the Statement of Financial Position as a Creditor - Unutilised Conditional Grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors:

- The cash which backs the creditor is invested until utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is Buffalo City Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an item of property, plant and equipment is purchased from a Creditor – Unutilised Conditional Grant, an amount equal to the purchase price is transferred from the Creditor - Unutilised Conditional Grant to the operating account on the Statement of Financial Performance as revenue.
- Whenever an item of property, plant and equipment is purchased from a Creditor - Unutilised Conditional Grant, an amount equal to the purchase price is transferred from the accumulated surplus to the Government Grant Reserve or the Donations and Public Contributions Reserve. These reserves are used to offset depreciation charged on property, plant and equipment financed from unutilised capital receipts. These reserves equal the remaining depreciable value (carrying value) of property, plant and equipment financed from unutilised capital receipts.
- Whenever a non-asset is purchased from a Creditor - Unutilised Conditional Grant an amount equal to the purchase price is transferred from the Creditor - Unutilised Conditional Grant to the operating account on the Statement of Financial Performance to offset the expenditure which was expensed through the operating account.

26. INTANGIBLE ASSETS

Intangible assets are initially recorded at their cost price and are subsequently amortised over their expected useful lives. An intangible asset is defined as an identifiable non – monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The intangible assets under the control of Buffalo City Municipality are amortised according to the straight line method as follows:

- General Valuation Roll 3 years

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
1 COID FUND				
Balance at beginning of year	5,979,312	6,029,672	6,029,672	5,979,312
Contributions	1,390,031	1,234,093	1,234,093	1,390,031
Interest on Investment	398,811	256,961	256,961	398,811
Other Income	547,513	86,631	86,631	547,513
Expenditure Incurred	(1,464,837)	(1,628,045)	(1,628,045)	(1,464,837)
Balance at end of year	6,850,830	5,979,312	5,979,312	6,850,830
The COID Fund is fully invested in financial investment instruments.				
2 RESERVES				
Capital Replacement Reserve	15,710,413	9,288	9,288	15,710,413
Capitalisation Reserve	61,508,311	69,070,999	69,070,999	61,508,311
Government Grant Reserve	350,379,392	233,944,178	233,944,178	350,379,392
Donations and Public Contributions Reserve	80,743,673	79,455,516	79,455,516	80,743,673
Self-Insurance Reserve	21,055,455	17,669,085	17,669,085	21,055,455
Self-Insurance Reserve - Cell Phone	214,427	113,984	113,984	214,427
Revaluation Reserve	238,767,191	192,063,916	192,063,916	238,767,191
Total Reserves	768,378,862	592,326,966	592,326,966	768,378,862
The Capital Replacement Reserve and Self-Insurance Reserve is fully invested in financial investment instruments.				
3 LONG-TERM LIABILITIES				
Local Registered Stock Loans	18,160,000	69,402,000	69,402,000	18,160,000
Annuity Loans	401,140,982	354,570,625	354,570,625	401,140,982
Capitalised Lease Liability	59,573	972,569	972,569	59,573
Sub-Total	419,360,555	424,945,194	424,945,194	419,360,555
Less: Current Portion Transferred to Current Liabilities	(16,929,372)	(25,140,728)	(25,140,728)	(16,929,372)
Local Registered Stock Loans	-	1,228,000	1,228,000	-
Annuity Loans	16,869,799	22,970,587	22,970,587	16,869,799
Capitalised Lease Liability	59,573	942,141	942,141	59,573
Total External Loans	402,431,183	399,804,466	399,804,466	402,431,183

Refer to Appendix A for more detail on long-term liabilities

The capitalised lease liability is secured over the item of plant leased.

R 8 922 725 (2005: R 108 208 926) has been invested specifically in ring-fenced accounts for the repayment of long-term liabilities. These are ceded investments (collateral to service a bullet payment at the end of specific loans) Refer Note 30 for more detail. The reason for the decrease from the prior year (R 108 208 926), is that certain large collateral investments were redeemed and sold in the open market. These collateral securities were replaced with guarantees from the International Finance Corporation. This unlocked potential ceded cash thereby reducing the need for new loans.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
4 NON-CURRENT PROVISIONS				
Total Non-Current Provisions	-	-	-	-
An amount of R16 106 890, being the Provision for Leave Pay was disclosed for 2004/2005. This amount has been transferred to Creditors.				
5 CONSUMER DEPOSITS				
Rates	-	-	-	-
Electricity	8,413,515	7,022,267	7,022,267	8,413,515
Water	13,840,878	13,236,311	13,236,311	13,840,878
Total Consumer Deposits	22,254,393	20,258,578	20,258,578	22,254,393
No interest is paid when deposits are refunded.				
Guarantees in lieu of electricity and water deposits	7,364,148	6,736,869	6,736,869	7,364,148
6 CURRENT PROVISIONS				
Performance Bonuses	566,057	1,524,378	1,524,378	566,057
Total Current Provisions	566,057	1,524,378	1,524,378	566,057
Performance bonuses are paid to employees subject to certain conditions. The provision is a calculation of the amount due to employees at the reporting date.				
The movement in the current provision is reconciled as follows:-				
PERFORMANCE BONUSES				
Balance at beginning of year	1,524,378	1,314,549	1,314,549	1,524,378
Contributions	566,057	209,829	209,829	566,057
Expenditure Incurred	(1,524,378)	-	-	(1,524,378)
Balance at end of year	566,057	1,524,378	1,524,378	566,057

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
7 CREDITORS				
Trade Creditors	77,761,159	76,939,015	76,939,015	77,761,159
Payments Received in Advance	30,263,557	21,690,267	21,690,267	30,263,557
Other Deposits	2,423,519	1,465,116	1,465,116	2,423,519
Staff Leave	35,112,212	31,877,254	31,877,254	35,059,919
IDZ	8,019,900	10,508,363	10,508,363	8,019,900
Creditors Buffalo City Development Agency	152,469	19,000	-	-
Other Creditors	23,658,597	23,640,805	23,640,805	23,658,597
Total Creditors	177,391,413	166,139,819	166,120,819	177,186,651
7a TAXATION				
South African Normal Tax	47,153	19,764		
Taxation Payable	66,917	19,764		
8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS				
Conditional Grants from Government	177,185,623	133,256,325	133,256,325	177,185,623
National Grants	132,016,086	104,579,903	104,579,903	132,016,086
Provincial Grants and Subsidies	45,169,537	28,676,422	28,676,422	45,169,537
Other Conditional Receipts	18,446,220	18,784,464	18,410,967	15,944,417
Total Conditional Grants and Subsidies	195,631,843	152,040,789	151,667,292	193,130,040
Amount received and invested until utilised (Note 11)	195,631,843	151,167,292	151,167,292	193,130,040
Difference in Balances Grants vs Invested 04/05		873,497	500,000	
Restatement of opening balances (Note36)		500,000	500,000	
BCDA		373,497		
9 VAT				
Vat Receivable	22,083,518	18,071,220	18,071,220	21,976,213
VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS.				
Note: Adjustment to balance 2004/05				
Balance 30/06/2005			16,946,701	
Error adjustment (Note 36)			1,124,519	
Restated balance			18,071,220	

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

10. PROPERTY, PLANT AND EQUIPMENT

30 June 2006	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Reconciliation of Carrying Value					
Carrying Values at 1 July 2005	200,423,574	526,318,398	51,055,115	94,685,631	872,482,718
Cost	16,870,156	1,264,941,784	81,151,924	127,091,180	1,490,055,044
Capital Under Construction	-	93,662,441	7,556,923	5,074,142	106,293,506
Revaluation	354,799,193	1,654,919	8,759,960	-	365,214,072
BCDA	-	-	-	28,469	28,469
Accumulated Depreciation	(171,245,775)	(833,940,746)	(46,413,692)	(37,508,160)	(1,089,108,373)
- Cost	(2,789,531)	(833,329,583)	(42,443,135)	(37,502,945)	(916,065,194)
- Revaluation	(168,456,244)	(611,163)	(3,970,557)	-	(173,037,964)
- BCDA	-	-	-	(5,215)	(5,215)
Acquisitions	4,585,576	146,785,058	24,788,223	42,434,579	218,593,436
- BCM	4,585,576	146,785,058	24,788,223	42,223,993	218,382,850
- BCDA	-	-	-	210,586	210,586
Capital Under Construction	(104,764)	(5,620,059)	(7,556,923)	(1,885,802)	(15,167,548)
- Current Year	-	79,494,600	-	772,659	80,267,259
- Capitalised	(104,764)	(85,114,659)	(7,556,923)	(2,658,461)	(95,434,807)
Increases / Decreases in Revaluation	54,292,374	-	-	-	54,292,374
Depreciation	(7,896,375)	(56,903,505)	(2,418,753)	(17,551,715)	(84,770,348)
- Based on Cost	(588,321)	(56,867,754)	(2,173,459)	(17,517,855)	(77,147,389)
- Based on Revaluation	(7,308,054)	(35,751)	(245,294)	-	(7,589,099)
- BCDA	-	-	-	(33,860)	(33,860)
Carrying Value of Disposals	-	-	-	(332,305)	(332,305)
- Cost	-	-	-	(376,194)	(376,194)
- Accumulated Depreciation	-	-	-	43,889	43,889
Impairment Losses	-	-	-	-	-
Other Movements	-	-	-	-	-
Carrying Values at 30 June 2006	251,300,385	610,579,892	65,867,662	117,350,388	1,045,098,327
Cost	21,455,732	1,411,726,842	105,940,147	168,938,979	1,708,061,700
Capital Under Construction	(104,764)	88,042,382	-	3,188,340	91,125,958
BCDA	-	-	-	239,055	239,055
Revaluation	409,091,567	1,654,919	8,759,960	-	419,506,446
Accumulated Depreciation	(179,142,150)	(890,844,251)	(48,832,445)	(55,015,986)	(1,173,834,832)
- Cost	(3,377,852)	(890,197,337)	(44,616,594)	(54,976,911)	(993,168,694)
- Revaluation	(175,764,298)	(646,914)	(4,215,851)	-	(180,627,063)
- BCDA	-	-	-	(39,075)	(39,075)

The Opening Balance differs from the Closing Balance at 30 June 2005 due to a restatement - refer note 36.

:- Depreciation on land adjusted: BCM	(112,192)	
:- Net change in Capitalisation: BCDA statements 04/05	1,556	Adjusted on BCDA transactions below
	(110,636)	
Depreciation charged to Statement of Financial Performance	70,867,534	
Depreciation charged directly on the Statement of Changes to Net assets	13,902,814	
Total Depreciation Charged	84,770,348	

Buffalo City Municipality has taken advantage of the transitional provisions set out in GAMAP 17 as well as adhering to National Treasury's Guidelines as per MFMA Circular No. 18 dated 23 June 2005, which states that it is paramount to prepare a process map to obtain infrastructure asset information over a number of years. Buffalo City Municipality appointed a service provider to develop a detailed roadmap to enable the successful implementation of processes to identify, record, value and manage infrastructure assets during the next three years.

At present, depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, Buffalo City Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2009.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

30 June 2005	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Reconciliation of Carrying Value					
Carrying Values at 1 July 2004	201,807,000	442,348,070	32,721,897	64,947,159	741,824,126
Cost	10,449,627	1,236,238,463	68,609,536	91,151,825	1,406,449,451
Capital Under Construction	-	-	-	-	-
Revaluation	354,799,193	1,654,919	8,759,960	-	365,214,072
BCDA	-	-	-	-	-
Accumulated Depreciation	(163,441,820)	(795,545,312)	(44,647,599)	(26,204,666)	(1,029,839,397)
- Cost	(2,259,795)	(794,969,900)	(40,922,335)	(26,204,666)	(864,356,696)
- Revaluation	(161,182,025)	(575,412)	(3,725,264)	-	(165,482,701)
- BCDA	-	-	-	-	-
Acquisitions	6,420,529	28,703,321	12,542,388	35,967,824	83,634,062
- BCM	6,420,529	28,703,321	12,542,388	35,939,355	83,605,593
- BCDA	-	-	-	28,469	28,469
Capital Under Construction	-	93,662,441	7,556,923	5,074,142	106,293,506
- Current Year	-	93,662,441	7,556,923	5,074,142	106,293,506
- Capitalised	-	-	-	-	-
Increases / Decreases in Revaluation	-	-	-	-	-
Depreciation	(7,916,147)	(38,395,434)	(1,766,093)	(11,303,494)	(59,375,953)
- Based on Cost	(529,736)	(38,359,683)	(1,520,800)	(11,298,279)	(51,708,498)
- Based on Revaluation	(7,386,411)	(35,751)	(245,293)	-	(7,667,455)
- BCDA	-	-	-	(5,215)	(5,215)
Carrying Value of Disposals	-	-	-	-	-
- Cost	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
Impairment Losses	-	-	-	-	-
Other Movements	-	-	-	-	-
Carrying Values at 30 June 2005	200,311,382	526,318,398	51,055,115	94,685,631	872,370,526
Cost	16,870,156	1,264,941,784	81,151,924	127,091,180	1,490,055,044
Capital Under Construction	-	93,662,441	7,556,923	5,074,142	106,293,506
Revaluation	354,799,193	1,654,919	8,759,960	-	365,214,072
BCDA	-	-	-	28,469	28,469
Accumulated Depreciation	(171,357,967)	(833,940,746)	(46,413,692)	(37,508,160)	(1,089,220,565)
- Cost	(2,789,531)	(833,329,583)	(42,443,135)	(37,502,945)	(916,065,194)
- Revaluation	(168,568,436)	(611,163)	(3,970,557)	-	(173,150,156)
- BCDA	-	-	-	(5,215)	(5,215)

	2006 R	2005 R

Land and buildings were revalued to fair value by using depreciated replacement cost values. The effective date of the revaluation was 01 May 2003. The revaluation was done by Fenwick & Associates, registered and independent valuators.

The revaluation surplus is reconciled as follows: -		
Balance at beginning of year	192,063,916	199,731,371
Surplus realised	46,703,275	(7,667,455)
Balance at end of year	238,767,191	192,063,916

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
11 INVESTMENTS				
Listed				
BCM had no listed investments at the reporting date				
Unlisted				
Shares in ELIDZ (PTY) LTD	5,172,373	3,754,258	5,172,373	3,754,258
Financial Instruments				
Fixed Deposits - Long-Term	10,693,315	109,883,993	10,693,315	109,883,993
Total Financial Instruments	15,865,688	113,638,251	15,865,688	113,638,251
Call Investment Deposits				
Other Deposits - Short-Term	439,067,404	179,770,463	436,351,650	179,770,463
Call Account Deposits	9,405	121,238	9,405	121,238
Total Call Investment Deposits	439,076,809	179,891,701	436,361,055	179,891,701
Total Investments	454,942,497	293,529,952	452,226,743	293,529,952
Average rate of return on investments	7.21%	7.18%	7.21%	7.18%
Allocation of External Investments				
Surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:-				
COID Fund	6,850,830	5,979,312	6,850,830	5,979,312
Insurance Reserve	21,269,882	113,984	21,269,882	113,984
Conditional Grants and Receipts (Note 8)	195,631,843	151,167,292	193,130,040	151,167,292
Capital Replacement Reserve	15,710,413	9,288	15,710,413	9,288
Current Portion of Leave Pay Provision (Note 6)	-	10,625,981	-	10,625,981
Performance Bonuses Provision (Note 6)	566,057	1,524,378	566,057	1,524,378
Surplus Cash	204,527,945	11,415,336	204,527,945	11,415,336
	444,556,971	180,835,571	442,055,167	180,835,571
External Financing Fund	10,171,576	112,694,381	10,171,576	112,694,381
BCDA	213,950	-	-	-
Total	454,942,497	293,529,952	452,226,743	293,529,952

An amount of R 109 724 895 ceded investments were redeemed during the 2005/2006 financial year.

The market value of Sanlam shares acquired upon demutualisation was R1,165,238 as at 30 June 2006 and R1,043,089 as at 30 June 2005.

A zero coupon bond of R 8,957,450 as at 30 June 2005 maturing on 30 June 2014 for a guaranteed redemption of R 25 million has been ceded to Standard Merchant Bank.

The primary reason for the increase in the investment portfolio is due to the fact that zero coupon bonds were liquidated nor cash realised. These are reflected under cash investments. The open market sale value was R115,008,945. These were sold to Sanlam Capital Markets via a bid process on the 05 May 2006. They were the highest bidders.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
12 LONG-TERM RECEIVABLES				
Loans to Sporting Bodies	186,287	273,641	186,287	273,641
Other Loans	43,658	59,025	43,658	59,025
Motor Vehicle Loans	1,804,799	3,769,152	1,804,799	3,769,152
	2,034,744	4,101,818	2,034,744	4,101,818
Less: Current Portion Transferred to Current Assets	(945,103)	(1,559,531)	(945,103)	(1,559,531)
Total Long-Term Receivables	1,089,641	2,542,287	1,089,641	2,542,287
Loans to Sporting Bodies				
Council granted loans to Sporting bodies within its jurisdiction. This policy has since been abolished and no new loans are issued. The remaining loans are being phased out with the last loan being redeemable in 2016.				
Other Loans				
Council granted loans to other organisations and bodies within its jurisdiction. The remaining loans are being phased out with the last loan redeemable in 2009. The loans attract interest between 6 and 10%.				
Motor Vehicle Loans				
Senior staff obtain loans at 8% interest per annum repayable over a maximum period of 6 years. Essential users obtained loans at 10% repayable over a maximum period of 5 years. All loans are being phased out with the last loan being fully redeemed in 2008.				
13 INVENTORY				
Consumable Store - at cost	8,224,926	7,193,911	8,224,926	7,193,911
Workshop Store - at cost	164,957	181,660	164,957	181,660
Diesel - at cost	516,383	263,460	516,383	263,460
Petrol - at cost	612,453	381,024	612,453	381,024
Water Store - at cost	2,791,884	2,686,149	2,791,884	2,686,149
Electricity Store - at cost	4,503,197	4,801,273	4,503,197	4,801,273
Unsold water - at cost	502,970	-	502,970	-
	17,316,770	15,507,477	17,316,770	15,507,477
Less: Provision for Obsolescence	(152,875)	(178,165)	(152,875)	(178,165)
Total Inventory	17,163,895	15,329,312	17,163,895	15,329,312

Inventory is net of specific provisions for obsolescence.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

14 CONSUMER DEBTORS

MUNICIPALITY AND ECONOMIC ENTITY

As at 30 June 2006	Gross Balances	Provision for Bad Debts	Net Balance
	R	R	R
Service Debtors	394,724,441	(147,717,345)	247,007,096
Rates	100,450,200	(36,201,946)	64,248,254
Cleansing	76,725,945	(31,084,866)	45,641,079
Electricity	41,043,347	(12,468,929)	28,574,418
Sewerage	64,907,636	(24,429,769)	40,477,867
Water	111,597,313	(43,531,835)	68,065,478
Housing Rentals	3,971,641	(3,971,641)	
Total	398,696,082	(151,688,986)	247,007,096
As at 30 June 2005			
Service Debtors	360,474,726	(134,285,905)	226,188,821
Rates	96,434,524	(32,910,226)	63,524,298
Cleansing	66,814,786	(28,258,424)	38,556,362
Electricity	41,652,745	(11,335,171)	30,317,574
Sewerage	58,039,456	(22,208,452)	35,831,004
Water	97,533,215	(39,573,632)	57,959,583
Housing Rentals	5,698,821	(5,698,821)	-
Total	366,173,547	(139,984,726)	226,188,821

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
Rates: Ageing				
Current (0 – 30 days)	22,026,356	25,584,683	22,026,356	25,584,683
31 - 60 Days	6,257,864	5,601,131	6,257,864	5,601,131
61 - 90 Days	3,585,869	4,615,126	3,585,869	4,615,126
91 - 120 Days	2,704,264	2,897,541	2,704,264	2,897,541
121 - 365 Days	23,405,718	20,863,802	23,405,718	20,863,802
+ 365 Days	42,470,129	6,925,625	42,470,129	36,925,625
Adjustment for Corrections	-	(53,384)	-	(53,384)
Total	100,450,200	96,434,524	100,450,200	96,434,524
Cleansing, Electricity, Sewerage & Water: Ageing				
Current (0 – 30 days)	64,518,876	65,843,120	64,518,876	65,843,120
31 - 60 Days	14,047,421	15,355,237	14,047,421	15,355,237
61 - 90 Days	11,684,081	1,062,004	11,684,081	11,062,004
91 - 120 Days	9,920,288	9,839,666	9,920,288	9,839,666
121 - 365 Days	53,178,636	49,504,892	53,178,636	49,504,892
+ 365 Days	140,924,939	113,566,548	140,924,939	113,566,548
Adjustment for Corrections	-	(1,131,265)	-	(1,131,265)
Total	294,274,241	264,040,202	294,274,241	264,040,202
Housing Debtors: Ageing				
Current (0 – 30 days)	1,221,397	92,828	1,221,397	92,828
31 - 60 Days	115,485	47,864	115,485	47,864
61 - 90 Days	72,139	20,267	72,139	20,267
91 - 120 Days	79,982	40,314	79,982	40,314
121 - 365 Days	362,744	287,079	362,744	287,079
+ 365 Days	2,119,894	5,210,469	2,119,894	5,210,469
Total	3,971,641	5,698,821	3,971,641	5,698,821

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY AND ECONOMIC ENTITY

	Consumers	Industrial/ Commercial	National and Provincial Gov
	R	R	R
Summary of Debtors by Customer Classification			
30 June 2006			
Current (0 – 30 days)	55,950,399	29,993,471	4,210,659
31 - 60 Days	16,246,599	3,247,743	1,697,887
61 - 90 Days	13,392,968	1,427,511	775,911
91 - 120 Days	11,345,568	1,235,305	512,494
121 - 365 Days	63,936,974	12,249,614	3,053,375
+ 365 Days	168,072,726	29,626,017	2,312,802
Sub-Total	328,945,234	77,779,661	12,563,128
Less: Provision for Bad Debts	(171,224,740)	(30,216,131)	-
Total Debtors by Customer Classification	157,720,494	47,563,530	12,563,128
30 June 2005			
Current (0 – 30 days)	63,308,508	29,688,595	3,076,210
31 - 60 Days	18,413,071	3,461,522	1,963,081
61 - 90 Days	12,735,219	2,144,719	1,723,716
91 - 120 Days	11,703,387	1,736,006	511,093
121 - 365 Days	76,154,365	14,666,706	5,138,811
+ 365 Days	136,977,901	35,068,706	1,638,099
Sub-Total	-	-	-
Less: Provision for Bad Debts	319,292,452	86,766,254	14,051,010
Total Debtors by Customer Classification	(145,632,855)	(39,579,983)	-
	173,659,597	47,186,271	14,051,010

The summary of debtors by customer classification includes Sundry Debtors not stated under Service Debtors.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
Bad Debt Provision				
Balance at beginning of year	185,212,838	175,109,547	185,212,838	175,109,547
Contributions	16,228,032	80,619,038	16,228,032	80,619,038
Transfers	-	62,611	-	62,611
Bad Debts Written Off	-	(70,578,358)	-	(70,578,358)
Balance at the end of the year	201,440,870	185,212,838	201,440,870	185,212,838
Bad Debts				
Contribution to the bad debt provision from the operating account	16,228,032	80,619,038	16,228,032	80,619,038
Bad debt written off against the operating account	36,177,425	-	36,177,425	-
	52,405,457	80,619,038	52,405,457	80,619,038

Amounts totalling R36 177 425 (2004/2005: R70 578 358) were written off against the provision as bad debts. This represents 2.25% (2004/2005 : 4.56%) of the total operating income for the year.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
15 OTHER DEBTORS				
	1,910,463	33,795,649	33,795,649	1,910,463
Sundry Debtors	51,662,347	79,023,762	79,023,762	51,662,347
Less: Provision for Bad Debts - Sundry Debtors	(49,751,884)	(45,228,113)	(45,228,113)	(49,751,884)
	11,679,461	18,527,853	18,527,853	11,679,461
Accrued Income	11,679,461	36,599,073	36,599,073	11,679,461
Less: VAT (Refer Note 9)	-	(18,071,220)	(18,071,220)	-
IDZ	10,050,839	12,029,520	12,029,520	10,050,839
Fire Availability	11,303,963	9,982,117	9,982,117	11,303,963
Land Sale Debtors	3,987,765	2,809,354	2,809,354	3,987,765
BCDA	2,807			
Total Other Debtors	38,935,298	77,144,493	77,144,493	38,932,491
16 BANK, CASH AND OVERDRAFT BALANCES				
The Municipality has the following bank accounts:				
Current Account (Primary Bank Account)				
Account Number: 521 201 117 44				
First National Bank				
73 Oxford Street				
East London				
Cashbook balance at the beginning of the year	44,455,780	6,598,956	6,598,956	44,455,780
Cashbook balance at the end of the year	49,225,914	44,455,780	44,455,780	49,225,914
Bank statement balance at the beginning of the year	145,342,831	70,900,164	70,900,164	145,342,831
Bank statement balance at the end of the year	109,141,105	145,342,831	145,342,831	109,141,105
Current Account (Collection Account)				
Account Number: 521 201 781 524				
First National Bank				
73 Oxford Street				
East London				
Cashbook balance at the beginning of the year	641,991	618,151	618,151	641,991
Cashbook balance at the end of the year	792,217	641,991	641,991	792,217
Bank statement balance at the beginning of the year	641,991	618,151	618,151	641,991
Bank statement balance at the end of the year	792,217	641,991	641,991	792,217

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
Current Account (Prism Account)				
Account Number: 620 179 770 52				
First National Bank				
73 Oxford Street				
East London				
Cashbook balance at the beginning of the year	417,071	1,010,966	417,071	1,010,966
Cashbook balance at the end of the year	1,343,249	417,071	1,343,249	417,071
Bank statement balance at the beginning of the year	455,404	562,374	455,404	562,374
Bank statement balance at the end of the year	539,380	455,404	539,380	455,404
Current Account (Market)				
Account Number: 521 201 778 89				
First National Bank				
73 Oxford Street				
East London				
Cashbook balance at the beginning of the year	(1,780,014)	(833,190)	(1,780,014)	(833,190)
Cashbook balance at the end of the year - overdrawn	(1,156,129)	(1,780,014)	(1,156,129)	(1,780,014)
Bank statement balance at the beginning of the year	(756,251)	(196,030)	(756,251)	(196,030)
Bank statement balance at the end of the year - overdrawn	878,174	(756,251)	878,174	(756,251)
The Municipal Entity have separate bank accounts which are aggregated below:-				
Current Account (BCDA)				
Account Number: 52121575280				
Deloitte & Touche Trust Account				
First National Bank				
East London				
Cashbook balance at the beginning of the year	322,997	-		
Cashbook balance at the end of the year		322,997		
Bank statement balance at the beginning of the year	322,997	-		
Bank statement balance at the end of the year	-	322,997		

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
Call Account (BCDA)				
Account Number: 62067767833				
Deloitte & Touche Trust Account+B695				
First National Bank				
East London				
Cashbook balance at the beginning of the year	230,367	-		
Cashbook balance at the end of the year		230,367		
Bank statement balance at the beginning of the year	230,367	-		
Bank statement balance at the end of the year	-	230,367		
Current Account (BCDA)				
Account Number: 62098717899				
First National Bank				
East London				
Cashbook balance at the beginning of the year	-	-		
Cashbook balance at the end of the year	62,946			
Bank statement balance at the beginning of the year				
Bank statement balance at the end of the year	62,946			
Which are disclosed in the Statement of Financial Position as Follows:-				
Cashbook balance at the beginning of the year	44,288,192	7,394,883	43,734,828	7,394,883
Cashbook balance at the end of the year	50,268,196	44,288,192	50,205,251	43,734,828
17 PROPERTY RATES				
Actual				
Residential	143,361,443	135,832,135	143,361,443	135,832,135
Commercial	103,035,888	95,261,188	103,035,888	95,261,188
State	23,409,951	22,308,747	23,409,951	22,308,747
Municipal	1,353,875	1,333,207	1,353,875	1,333,207
Total Assessment Rates	271,161,157	254,735,277	271,161,157	254,735,277
Valuations				
Residential	6,159,312,388	6,002,283,892	6,159,312,388	6,002,283,892
Commercial	3,938,844,017	3,809,530,380	3,938,844,017	3,809,530,380
State	1,175,038,455	1,163,485,225	1,175,038,455	1,163,485,225
Municipal	253,496,847	251,633,297	253,496,847	251,633,297
Total Property Valuations	11,526,691,707	11,226,932,794	11,526,691,707	11,226,932,794

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
18 SERVICE CHARGES				
Sewerage Charges	111,808,764	102,424,021	111,808,764	102,424,021
Cleansing Charges	88,079,654	83,738,702	88,079,654	83,738,702
Sale of Electricity	409,759,911	387,004,418	409,763,036	387,004,418
Sale of Water	144,342,799	146,390,998	144,345,924	146,390,998
Other	2,407,475	1,949,953	2,407,475	1,949,953
Total Service Charges	756,398,603	721,508,092	756,404,853	721,508,092
19 GOVERNMENT GRANTS AND SUBSIDIES				
Government Grants				
Equitable Share	169,684,848	165,899,221	169,684,848	165,899,221
Equitable Share Urban Renewal	3,771,294	4,691,606	3,771,294	4,691,606
IDZ (BCDA) (04/05 R795000-R373497 (transferred to creditors)	745,191	421,503	-	-
DWAF	-	3,482,307	-	3,482,307
State Health Subsidy	26,146,320	17,744,186	26,146,320	17,744,186
BCMET	-	1,650,000	-	1,650,000
MIG	1,650,201		1,650,201	
Total Government Grants	201,997,853	193,888,823	201,252,663	193,467,320
Provincial Subsidies				
Health Subsidy	367,257	142,189	367,257	142,189
Needs Camp	120,525	1,691,058	120,525	1,691,058
ADM Grants	-	1,657,501	-	1,657,501
Subsidy	4,750,832	501,591	4,750,832	501,591
DHLGTA Grants	400	-	400	-
Total Provincial Subsidies	5,239,014	3,992,339	5,239,014	3,992,339
Total Government Grants & Subsidies Received and Allocated as Income	207,236,867	197,881,162	206,491,677	197,459,659
Transferred from Conditional Grant Creditors (Appendix G)	198,841,919	219,694,215	198,841,919	219,694,215
Total Conditional Grants and Subsidies reflected on the Statement of Financial Performance	406,078,785	417,575,377	405,333,596	417,153,874

General valuations on land and buildings should be conducted every 10 years in terms of Ordinance No. 26 of 1944. Interim valuations are processed once a year to take into account changes in individual property values due to alterations and subdivisions. Rebates of 20% and 40% are granted to state properties and pensioners respectively. Rates are levied on an annual basis on property owners pensioners respectively. Rates are levied on an annual basis on property owners with the final date of payment being 30 September 2005. Ratepayers are also given an option of paying their rates monthly on application. Interest at a standard rate as amended from time to time, is paid on any rate which remains unpaid after 30 September 2005, except in cases where the owner has applied to pay by installment, in terms of Section 90(1) of Ordinance 20 of 1974.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
Equitable Share				
In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.				
Other Grants and Subsidies				
All other funds receipted in the income account were reimbursements for expenditure incurred and no balances were carried forward. All conditions were met and no funds were withheld.				
National/Provincial Government Grant & Other Funding (Expenditure Reimbursement)				
Conditional Grants and subsidies are receipted to the Conditional Grant Creditor accounts and all capital and non-capital expenditure is expensed through the income and expenditure account. Reimbursements to the income account are journalised against the Conditional Grant Creditor accounts.				
Refer Note 8, Appendix G and Appendix H for more detail on the Conditional Grant and Subsidy balances and transaction movements for 2005/06.				
Conditions on the funding were complied with and no funds were withheld.				
20 OTHER INCOME				
Credit Card Format Conversions	-	2,573,329	-	2,573,329
Commission	8,993,690	7,624,313	8,993,690	7,624,313
Coupons & Clip Tickets	2,808,979	2,590,628	2,808,979	2,590,628
Fire Levy Charges	15,094,095	10,918,617	15,094,095	10,918,617
Plan Approval Fees	4,958,630	3,563,199	4,958,630	3,563,199
Reconnection Fees	7,494,771	2,205,250	7,494,771	2,205,250
Scrap Sales	2,287,571	2,067,936	2,287,571	2,067,936
Vehicle Registration Commission	14,204,651	5,927,225	14,204,651	5,927,225
Other	16,759,365	22,299,529	16,756,260	22,299,529
Total Other Income	72,601,752	59,770,026	72,598,647	59,770,026

All individual income categories exceeding R2 000 000 are stated separately.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
21 GENERAL EXPENSES - OTHER				
DWAF	5,701,135	6,987,612	5,701,135	6,987,612
Electricity Lighting Department Charges	24,346,054	22,225,428	24,346,054	22,225,428
Consultants Fees	17,491,472	17,410,965	17,491,472	17,410,965
Transfer to Leave Creditors	13,564,803	13,142,831	13,564,803	13,142,831
Essential Users Cost	5,780,307	-	5,780,307	-
Fuel Oil	8,016,806	6,373,598	8,016,806	6,373,598
Insurance	6,702,052	6,313,925	6,702,052	6,313,925
Licence Fee Department Charges	-	5,407,300	-	5,407,300
Machine Rental	5,305,039	-	5,305,039	-
Pensions Payable	8,550,857	7,198,782	8,550,857	7,198,781
Petrol	5,422,432	-	5,422,432	-
Poor Relief	54,125,709	47,890,263	54,125,709	47,890,263
Refuse Removal Department Charges	7,824,213	7,278,894	7,824,213	7,278,894
Security Guards	12,014,191	9,164,137	12,014,191	9,164,137
Spares - Automotive	8,763,209	8,329,040	8,763,209	8,329,040
Telephones	11,911,473	11,867,816	11,911,473	11,867,816
Conditional Grant Expenditure	56,296,402	93,843,587	56,296,402	93,843,587
Housing & Local Government projects	21,435,506	41,998,587	21,435,506	41,998,587
Restructuring Grant Projects	10,425,176	4,859,304	10,425,176	4,859,304
DWAF projects		7,851,079		7,851,079
ADM projects		9,327,224		9,327,224
Other projects	24,435,720	29,807,393	24,435,720	29,807,393
Other	118,091,502	93,992,884	118,449,296	93,992,884
General expenses BCDA	-	212,033	-	-
Total General Expenses - Other	369,907,655	357,639,095	370,265,451	357,427,061

All categories exceeding R5 000 000 are stated separately.

Note: Prior year amount of R107,135,715 (previously R93,992,884) restated to include amount of R13,142,831 which related to Contributions to Provisions

BCDA General expenses on 04/05 statements	408,795
BCDA General expenses opening balance on 05/06 statements	(412,035)
	3,240
Elimination of inter entity paid subsidy	(200,000)
	(196,760)
Contribution to provision - see note above	13,142,830
	12,946,070
Balance on 04/05 signed consolidated statements	344,693,025
Balance 04/05 note 21	357,639,095

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
22 EMPLOYEE RELATED COSTS				
Salaries and Wages	385,764,424	366,445,994	384,874,388	366,363,681
Social Contributions	77,169,774	71,384,732	77,169,774	71,385,286
Less: Employee Costs Capitalised to PPE	-	-	-	-
Total Employee related costs	462,934,198	437,830,726	462,044,162	437,748,967
Remuneration of the Municipal Manager				
Basic Salary	407,098	465,948	407,098	465,948
Deferred Compensation	148,137	169,556	148,137	169,556
Performance Bonus	-	-	-	-
Other	339,239	388,305	339,239	388,305
Total	894,474	1,023,809	894,474	1,023,809

(Note: The above amounts are for the 2005/2006 financial year for the period 01 July 2005 to 26 April 2006. The incumbent's services were terminated on 26 April 2006. In addition an amount of R 151 488 was paid in respect of leave and is not included in the above calculation. At the time of the Municipal Manager's termination the value of the Deferred Compensation Policy was R 861 806 and after a part withdrawal in respect of amounts due to Buffalo City Municipality the policy was ceded back to the City Manager.)

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
REMUNERATION OF THE CHIEF FINANCIAL OFFICER				
Annual Remuneration	495,302	465,948	495,302	465,948
Other	330,202	310,644	330,202	310,644
Performance Bonus (Paid i.r.o 2003/2004 financial year)	-	127,323	-	127,323
Performance Bonus (Paid i.r.o 2004/2005 financial year)	77,988		77,988	
Performance Bonus (Paid i.r.o 2005/2006 financial year)	82,550		82,550	
Total	986,042	903,915	986,042	903,915
REMUNERATION OF THE DIRECTOR OF CORPORATE SERVICES				
Annual Remuneration	495,302	465,948	495,302	465,948
Other	330,202	310,644	330,202	310,644
Performance Bonus (Paid i.r.o 2003/2004 financial year)	-	117,943	-	117,943
Performance Bonus (Paid i.r.o 2004/2005 financial year)	77,988		77,988	
Performance Bonus (Paid i.r.o 2005/2006 financial year)	82,550		82,550	
Total	986,042	894,535	986,042	894,535
REMUNERATION OF THE DIRECTOR OF ENGINEERING SERVICES				
Annual Remuneration	495,302	465,948	495,302	465,948
Other	330,202	310,644	330,202	310,644
Performance Bonus (Paid i.r.o 2003/2004 financial year)	-	99,820	-	99,820
Performance Bonus (Paid i.r.o 2004/2005 financial year)	77,988		77,988	
Performance Bonus (Paid i.r.o 2005/2006 financial year)	82,550		82,550	
Total	986,042	876,412	986,042	876,412
REMUNERATION OF THE DIRECTOR OF DEVELOPMENT PLANNING				
Annual Remuneration	495,302	465,948	495,302	465,948
Other	330,202	310,644	330,202	310,644
Performance Bonus (Paid i.r.o 2003/2004 financial year)	-	108,977	-	108,977
Performance Bonus (Paid i.r.o 2004/2005 financial year)	77,988	-	77,988	
Performance Bonus (Paid i.r.o 2005/2006 financial year)	82,550	-	82,550	
Total	986,042	885,569	986,042	885,569
REMUNERATION OF THE DIRECTOR OF SOCIAL SERVICES				
Annual Remuneration	495,302	465,948	495,302	465,948
Other	330,202	310,644	330,202	310,644
Performance Bonus (Paid i.r.o 2003/2004 financial year)	-	121,215	-	121,215
Performance Bonus (Paid i.r.o 2004/2005 financial year)	77,988	-	77,988	
Performance Bonus (Paid i.r.o 2005/2006 financial year)	82,550	-	82,550	
Total	986,042	897,807	986,042	897,807

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
REMUNERATION OF THE DIRECTOR OF MAYORAL OFFICE				
For the period 01 July 2005 to 31 March 2006				
Annual Remuneration	381,060	312,000	381,060	312,000
Other	254,040	288,000	254,040	288,000
Total	635,100	600,000	635,100	600,000
For the period 01 April 2006 to 30 June 2006				
Annual Remuneration	495,302	465,948	495,302	465,948
Other	330,202	310,644	330,202	310,644
Total	825,504	776,592	825,504	776,592
(Note: The above amounts are for the 2005/2006 financial year. The incumbent's employment contract was amended with effect from 01 April 2006 and the applicable rates were applied prorata. No bonus was paid but a provision of R 72 148 was made for the 2005/2006 financial year.)				
REMUNERATION OF THE CHIEF EXECUTIVE OFFICER (BCDA)				
Annual Remuneration	536,446	82,313		
Other	-	-		
Performance Bonus	-	-		
Total	536,446	82,313		
23 REMUNERATION OF COUNCILLORS AND BOARD MEMBERS				
Executive Mayor	287,088	271,478	287,088	271,478
Deputy Executive Mayor	-	17,074	-	17,074
Speaker	229,671	217,183	229,671	217,183
Mayoral Committee Members	1,879,393	1,832,481	1,879,393	1,832,481
Councillors	5,647,923	5,322,067	5,647,923	5,322,067
Councillors' Pension and Medical Contribution	1,300,870	1,276,686	1,300,870	1,276,686
Other	4,045,203	2,944,898	4,045,203	2,944,898
Board Members-Directors' Fee	74,100	-	-	-
Total Councillors' and Board Members Remuneration	13,464,248	11,881,867	13,390,148	11,881,867

In-Kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of Council.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
24 INTEREST PAID				
Stock Loans	5,380,250	13,180,466	5,380,250	13,180,466
Annuity Loans	43,795,684	43,350,887	43,795,684	43,350,887
Finance Loans	450,250	121,199	450,250	121,199
Other	6,605,918	777,072	6,601,046	777,072
Total Interest on External Borrowings	56,232,102	57,429,624	56,227,230	57,429,624
25 BULK PURCHASES				
Electricity	226,951,707	221,700,012	226,951,707	221,700,012
Water	62,566,266	57,089,035	62,566,266	57,089,035
Total Bulk Purchases	289,517,973	278,789,047	289,517,973	278,789,047

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
26 GRANTS AND SUBSIDIES PAID				
Grant in Lieu of Rates	2,866,369	2,671,854	2,866,369	2,671,854
Sundry Grants-in-Aid	1,198,803	755,230	1,628,628	755,230
Total Grants and Subsidies Paid	4,065,172	3,427,084	4,494,997	3,427,084
The Grant paid to BCM Tourism is paid quarterly.				
Various institutions apply for Grants-in-aid. Mostly charity organizations and child care centres qualify for these grants.				
27 CONTRIBUTIONS TO/(FROM) PROVISIONS				
Transfer to Salary Equalisation (Note 6)	-	(12,000,000)	-	(12,000,000)
Total Contributions To/(From) Provisions	-	(12,000,000)	-	(12,000,000)
28 CASH GENERATED BY OPERATIONS				
Net Surplus for the year	205,744,732	179,996,232	205,220,096	179,831,876
Adjustment for:		-	-	-
Equity accounted share of associate's surplus	(1,418,115)	-	(1,418,115)	-
Depreciation	84,770,348	59,381,169	84,736,488	59,375,953
Gain on disposal of property, plant and equipment	(7,280,645)	-	(7,280,645)	-
Contributions to Provisions - Non-Current	-	25,142,832	-	25,142,832
Contributions to Provisions - Current	566,057	209,829	566,057	209,829
Contributions to Bad Debt Provision	16,228,032	80,619,038	16,228,032	80,619,038
Contributions to Obsolete Inventory Provision	-	178,165	-	178,165
Contributions to Reserves	1,602,403	1,283,434	1,602,403	1,283,434
Investment Income	(65,796,403)	(27,486,742)	(65,747,296)	(27,425,117)
Interest Paid	56,232,102	57,429,624	56,227,230	57,429,624
Vat Recovered	11,633,905	-	11,633,905	-
Operating Surplus Before Working Capital Changes:	302,282,416	376,753,581	301,768,155	376,645,634
(Increase)/Decrease in Inventories	(1,809,294)	(2,448,724)	(1,809,294)	(2,448,724)
(Increase)/Decrease in Service Debtors	(35,913,466)	22,108,047	(35,913,466)	22,108,047
(Increase)/Decrease in Other Debtors	37,076,353	(27,085,443)	37,079,160	(27,085,443)
Increase in Taxation	47,153	19,764	-	-
Increase in Conditional Grants & Receipts	43,217,557	22,433,906	41,462,748	22,060,409
Increase/(Decrease) in Creditors	11,251,594	24,440,299	11,065,832	24,421,299
Increase/(Decrease) in VAT	(4,012,297)	(4,946,818)	(3,904,993)	(4,946,818)
Working Capital Changes	49,857,600	34,521,031	47,979,987	34,108,770
Cash Generated from Operations	352,140,016	411,274,612	349,748,143	410,754,404

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
29 CASH AND CASH EQUIVALENTS				
Balance at the end of the year	491,830,857	225,539,911	489,051,971	224,986,547
Balance at the beginning of the year	225,539,911	115,298,595	224,986,547	115,298,595
Net Increase in Cash and Cash Equivalents	266,290,946	110,241,316	264,065,424	109,687,952

Note: The balance of R115,298,595 (previously R8,656,392) at the beginning of 2005 has been restated to include an amount of R106,642,202 being the short -term investment allocated under current assets at 30/06/2004.

The balance of R224,986,547 (previously R45,094,845) at the end of 2005 has been restated to include an amount of R179,891,701 being the short-term investments allocated under current assets at 30/06/2005.

30 UTILIZATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-Term Liabilities (Refer Appendix A)	21,109,471	61,980,292	21,109,471	61,980,292
Used to Finance Property, Plant and Equipment	-	(55,953,254)	-	(55,953,254)
Used to Finance Property, Plant and Equipment previous years	(21,109,471)	(6,000,000)	(21,109,471)	(6,000,000)
Reinstatement of Loans Erroneously Written Off	-	27,038	-	27,038
Cash Invested for Repayment of External Loans	8,922,380	108,208,926	8,922,380	108,208,926

During the 2005/2006 financial year, the total redemption of local stock and annuity loans amounted to R 51 242 000 and R 96 553 115 respectively.

A loan of R 122 014 000 has been raised from INCA at 13.95% with a term period up to 31 December 2020. This loan is not new debt, but is a consolidation of smaller loans. This was conducted to lower the weighted average cost of capital of higher interest rate loans.

A loan of R 21 109 491 is not a new loan taken (i.e. it's a withdrawal from the loan facility), but it's a claim repayment from DBSA for all the assets bought during the 2004/05 financial year.

All loans that are raised will finance assets only. No operating expenditure is financed from loan funding. All purchases against the capital budget are analysed and reconciled to individual asset values. This eliminates any contravention of the MFMA, which stipulates that loan funding cannot finance operating activities.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
31 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT				
Contributions to SALGA				
Opening Balance	-	-	-	-
Council Subscriptions	2,160,687	2,228,042	2,160,687	2,228,042
Amount Paid - Current Year	(2,160,687)	(2,228,042)	(2,160,687)	(2,228,042)
Amount Paid - Previous Years	-	-	-	-
Balance Unpaid	-	-	-	-
Audit Fees				
Opening Balance	-	-	-	-
Over Provision Written Back	-	-	-	-
Current Year Audit Fee	2,167,541	1,357,145	2,078,281	1,357,145
Amount Paid - Current Year	(2,078,281)	(1,357,145)	(2,078,281)	(1,357,145)
Amount Paid - Previous Years	(89,260)	-	-	-
Balance Unpaid	-	-	-	-
PAYE and UIF				
Opening Balance	-	-	-	-
Current Year Payroll Deductions	55,737,546	55,244,741	55,737,546	55,244,741
Amount Paid - Current Year	(55,737,546)	(55,244,741)	(55,737,546)	(55,244,741)
Amount Paid - Previous Years	-	-	-	-
Balance Unpaid	-	-	-	-
Pension and Medical Aid Deductions				
Opening Balance	-	-	-	-
Current Year Payroll Deductions and Council Contributions	109,226,663	100,178,918	109,226,663	100,178,918
Amount Paid - Current Year	(109,226,663)	(100,178,918)	(109,226,663)	(100,178,918)
Amount Paid - Previous Years	-	-	-	-
Balance Unpaid	-	-	-	-

Councillor's Arrear Consumer Accounts

Arrear accounts totalling R1 690 were outstanding at 30 June 2006 for less than 90 days for which mechanisms are in place to deduct amounts from the monthly allowances of each Councillor.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
32 CAPITAL COMMITMENTS				
Commitments in respect of capital expenditure:				
- Approved and Contracted for				
Infrastructure	112,323,367	21,044,760	112,323,367	21,044,760
Community	7,515,816	2,417,861	7,515,816	2,417,861
Other	10,860,119	3,280,831	10,860,119	3,280,831
	130,699,302	26,743,452	130,699,302	26,743,452
- Approved but not yet Contracted for				
Infrastructure	232,133,831	337,338,712	232,133,831	337,338,712
Community	31,110,068	27,517,301	31,110,068	27,517,301
Other	79,962,306	64,565,333	79,962,306	64,565,333
	343,206,205	429,421,346	343,206,205	429,421,346
Total Commitments	473,905,507	456,164,798	473,905,507	456,164,798
This expenditure will be financed from:				
- External Loans	115,923,288	151,437,449	115,923,288	151,437,449
- Government Grants	285,941,195	275,320,544	285,941,195	275,320,544
- Other	72,041,024	29,406,805	72,041,024	29,406,805
	473,905,507	456,164,798	473,905,507	456,164,798
The following change in disclosure of the capital commitments were made in the 2005/06 financial year. The 2005/06 financial year includes the 2006/07 financial year capital budget disclosed as approved and contracted for and approved but not yet contracted for. In 2004/05 this principle was not applied and has now been corrected.				
33 CONTINGENT LIABILITIES				
Guarantees by the Council in respect of building society and commercial bank housing loans for officials.	1,376,604	3,393,778	1,376,604	3,393,778
Guarantees for Sports Clubs	-	80,000	-	80,000
	1,376,604	3,473,778	1,376,604	3,473,778

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R

A failed water pipe line in Mdantsane led to the removal of the contractor (Magwa and Selane cc) from the site which has resulted in a claim in the sum of approximately R650 000.

Flood damage to Vincent Park Centre has resulted in a possible claim of approximately R31 million. Although no court action has commenced Council's attorney's have been briefed and Council would defend the matter. Council's attorney's have also been instructed to investigate the possibility of recourse through it's insurers.

The Department of Water Affairs and Forestry (DWAF) - Eastern Cape has requested payment of approximately R22 million for outstanding water accounts in respect of Noodlyn, Zwelitsha and Phakamisa townships. Council through it's attorney's, have advised DWAF that the payment of accounts prior to the take over of responsibilities by Buffalo City Municipality, vested with Provincial Government.

A claim by Transnet LTD i.r.o. overpayment of rates on erf 15889. A summons was served on Buffalo City Municipality (defendant) by Transnet Limited (plaintiff) i.r.o. of Transnet that was not surveyed, subdivided and registered in the lawful owner's name resulting in overpayment of rates by Transnet. If the court rules in favour of Transnet Limited it could result in a claim of approximately R 2 million.

34 RETIREMENT BENEFIT INFORMATION

The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:

- Cape Joint Pension Fund
- Cape Joint Retirement Fund
- Eastern Cape Local Authorities Provident Fund
- Government Employees Pension Fund
- SAMWU National Provident Fund
- SALA Pension Fund
- East London Municipal A Band Provident Fund
- Old Mutual Orion Provident Fund
- Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede

  - The Cape Joint Pension Fund: The last actuarial valuation was performed as at 30 June 2005 by D. Klug of Metropolitan Employees Benefits. The fund was in a sound financial position and that the surplus could be attributed to the reduction of pension increase targets.

  - The Cape Joint Retirement Fund was in a sound financial condition as at the last actuarial valuation on 30 June 2005 which was conducted by D. Klug of Metropolitan Employees Benefits.

  - The Eastern Cape Local Authorities Provident Fund's last valuation was done as at 30 June 2005 by M. Hayler from Alexander Forbes and certifies that the fund was in a sound financial condition in terms of the Pension Fund Act.

  - The Government Employees Pension Fund's last valuation was at 31 March 2004 and performed by J. Slawski, J. Geldenhuys and R. Maxwell from Alexander Forbes. The fund was 96,5% funded at this date.

  - SAMWU National Provident Fund's last actuarial valuation was at 30 June 2005 and conducted by E. Potgieter from Fifth Quadrant. The report stated that the fund was in a sound financial position.

  - The SALA Pension Fund's last valuation was at 30 June 2003 conducted by S. Feldman of Old Mutual Actuaries and Consultants. The fund was 93.2% funded as at valuation date.

  - The East London Municipal A Band and Old Mutual Orion Provident Funds as well as the Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede are fixed/defined contribution funds and are therefore not required to perform actuarial valuations.

  - It is Council's policy to fund 70% of Pensioner's medical aid expenses. The current costs amount to approximately R 8.5 million.

  - An amount of R 75.7 million (2005: R 70,1 million) was contributed by Council in respect of Councillor and employees retirement funding. These contributions have been expensed.

35 IN-KIND DONATIONS AND ASSISTANCE

- The municipality received the following in-kind donations and assistance

- Secondment of International Finance Advisor by National Treasury for a period of two years ending June 2005.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
36 CORRECTION OF ERROR				
During the year the following transactions were adjustments to amounts erroneously stated in previously financial periods:				
Restated as follows:				
Corrections to the Reserves on previously incorrect allocations.				
Accumulated surplus		(138,321)		(138,321)
Accumulated Depreciation		112,192		112,192
Government Grant Reserve		1,856,261		1,856,261
Public Contributions and Donations Reserve		(1,830,132)		(1,830,132)
Revaluation Reserve		-		-
Investment in Associate				
Non-Current Investments - portion of investment up to year end (26% shareholding in IDZ)		3,754,258		3,754,258
Corresponding entry to accumulated surplus		(3,754,258)		(3,754,258)
Creditors - adjustment to IDZ prior periods		(10,508,363)		(10,508,363)
Debtors - adjustment to IDZ prior periods		12,029,520		12,029,520
Adjusted to accumulated surplus		(1,521,157)		(1,521,157)
Restatement of future depreciation NDR to correspond with asset register transactions:				
Public Contributions and Donations Reserve		(2,631,282)		(2,631,282)
Government Grant Reserve		(71,939)		(71,939)
Revaluation Reserve		-		-
Effect on Accumulated Surplus		2,703,221		2,703,221
Transactions affecting Creditors		(5,044,266)		(5,044,266)
Transactions affecting Conditional Grants		(500,000)		(500,000)
Transactions affecting Consumer Deposits		6,747		6,747
Transactions affecting Consumer Debtors		(1,184,650)		(1,184,650)
Transactions affecting Other Debtors		1,188,465		1,188,465
Transactions affecting Long-term Liabilities		46,362		46,362
Transactions affecting Vat		1,124,519		1,124,519
Transactions affecting Bank		-		-
Adjusted to accumulated surplus		4,362,823		4,362,823
Provision for SA normal tax regarding 2004/05		19,765		
Net Effect on Accumulated Surplus		1,672,073		1,652,308

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
37 SURPLUS OF ASSOCIATE				
Share of retained profit on the equity method	1,418,115	3,753,998	1,418,115	3,753,998

Buffalo City Municipality holds 26% of the issued share capital in East London Industrial Development Zone (Pty) Ltd.

38 MUNICIPAL ENTITIES

Buffalo City Development Agency (BCDA)

The BCDA was incorporated on 18 June 2004 as a Municipal entity of BCM. BCDA is 100% controlled by BCM. BCM Council resolved to report all agency related pre-incorporation financial transactions for the first time at 30 June 2005.

One of the envisaged corner-stones of the agency's business model is the asset base of unutilised or underutilised public land and infrastructure that falls within the agency's demarcated area, namely the extended waterfront and CBD area of East London.

In Buffalo City, this asset-base constitutes a resource of significant value that could be used as leverage to unlock beneficial synergies with other significant prospective investors, private and public.

The agency commissioned a Pre-Feasibility Study intended to further clarify its local strategic opportunities and to finalise a business plan that will enable Buffalo City Municipality to extend a clear mandate to the agency as it launches into its operational phase.

The annual financial statements of BCDA, at 30 June 2006, were consolidated in terms of GAMAP 6, the Municipal Systems Act, as amended, and the Municipal Finance Management Act.

39 RELATED PARTY TRANSACTIONS

Buffalo City Municipality has issued grants of R1,429,825 to the development agency during the current financial year (2005: R200,000)

BCDA has paid consumer accounts of R6,250 during the current financial year.

Schedule of External Loans

AT 30 JUNE 2006 (MUNICIPALITY AND ECONOMIC ENTITY) – APPENDIX A

EXTERNAL LOANS

Issued	Loan No.	Redeemable	Balance at 30/06/2005	Received during the year	Redeemed/ written off during the year	Balance at 30/06/2006		Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R		R	R
LONG-TERM LOANS									
Local Registered Stock									
1988 @ 16.60%	70	30/06/2008	10,000,000	-	10,000,000	-		-	-
1990 @ 16.50%	72	30/06/2010	21,000,000	-	13,000,000	8,000,000		-	-
1990 @ 17.05%	73	31/12/2011	10,000,000	-	-	10,000,000		-	-
1994 @ 14.20%	78	30/06/2014	25,000,000	-	25,000,000	-		-	-
1990 @ 17.90%	5/90	30/06/2010	160,000	-	-	160,000		-	-
1991 @ 17.50%	1	31/12/2006	1,000,000	-	1,000,000	-		-	-
1990 @ 17.65%	3	30/06/2010	464,000	-	464,000	-		-	-
1988 @ 17.25%	5	30/09/2008	550,000	-	550,000	-		-	-
1990 @ 17.75%	9	30/06/2005	-	-	-	-		-	-
1982 @ 11.35%	20	13/08/2005	1,228,000	-	1,228,000	-		-	-
Total Local Registered Stock			69,402,000	-	51, 242,000	18,160,000		-	-

Schedule of External Loans

AT 30 JUNE 2006 (MUNICIPALITY AND ECONOMIC ENTITY) – APPENDIX A

ANNUITY LOANS

Issued	Loan No.	Redeemable	Balance at 30/06/2005	Received during the year	Redeemed/ written off during the year	Balance at 30/06/2006		Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R		R	R
1997 @ 16.60%	SCMB	14/06/2007	17,343,549	-	7,956,378	9,387,171		15,807,345	-
1999 @ 16.70%	INCA 1	26/03/2009	25,000,000	-	25,000,000	-		11,485,709	-
1999 @ 16.70%	INCA 2	23/02/2009	25,000,000	-	25,000,000	-		11,485,709	-
2000 @ 16.90%	INCA 3	30/06/2011	22,000,000	-	22,000,000	-		12,981,023	-
2020 @ 13.95%	INCA	30/06/2021	-	122,014,000	1,586,657	120,427,343		49,129,252	-
2001 @ 10.83%	13717	30/06/2021	67,368,421		4,210,526	63,157,895		97,717,650	-
2002 @ 11.40%	100124	30/06/2023	125,920,215	21,109,471	2,790,205	144,239,481		-	-
2004 @ 10.15%	100783	30/06/2009	6,000,000	-	-	6,000,000		22,854,079	-
2004 @ 12.56%	101058	31/12/2023	56,428,693	-	859,670	55,569,023		302,852	-
2004 @ 10.11%	101490	31/12/2006	5,487,184	-	3,567,712	1,919,472		-	-
1981 @ 13.13%	BB 27	30/06/2006	14,325	-	14,325	-	63,488,495	-	-
1977 @ 13.00%	SAN 1	30/09/2007	45,612	-	16,543	29,069		-	-
Annuity Loans carried forward			350,607,999	143,123,471	93,002,016	400,729,454		221,763,619	-

Schedule of External Loans

AT 30 JUNE 2006 (MUNICIPALITY AND ECONOMIC ENTITY) – APPENDIX A

EXTERNAL LOANS

Issued	Loan No.	Redeemable	Balance at 30/06/2005	Received during the year	Redeemed/ written off during the year	Balance at 30/06/2006		Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R		R	R
Annuity Loans brought forward			350,607,999	143,123,471	93,002,016	400,729,454		221,763,619	-
1979 @ 9.50%	CJPF 5	30/06/2009	82,116	-	24,006	58,110		-	-
1980 @ 10.00%	CJPF 6	30/06/2005	59,498	-	12,872	46,626		-	-
2003 @ 9.05%	STAFF	27/07/2006	3,821,011	-	3,514,221	306,790		-	-
Total Annuity Loans			354,570,624	143,123,471	96,553,115	401,140,980		221,763,619	-
Financial Leases :									
2001 @ 13.50%	DCFS	18/09/2006	284,292	-	224,717	59,575		-	-
2000 @ 13.50%	STANNIC	01/09/2005	306,402	-	306,402	-		-	-
2001 @ 13.50%	WESBANK	01/06/2005	172,910	-	172,910	-		-	-
2001 @ 13.50%	WESBANK	01/06/2005	50,827	-	50,827	-		-	-
KWT	ABSA	31/12/2005	204,500	-	204,500	-		284,056	-
Total Financial Leases			1,018,931	-	959,356	59,575		284,056	-
Total External Loans			424,991,555	143,123,471	148,754,471	419,360,555		222,047,675	-

The Opening Balance differs from the Closing Balance at 30 June 2005 due to a restatement - refer note 36.

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

	Cost				
	Opening Balance	Additions	Under Construction Capitalised	Under Construction	Disposals
	R	R	R	R	R
LAND AND BUILDINGS					
Land	81,556,300	41,981,023	-	-	-
Buildings	290,113,049	16,896,927	(104,764)	-	-
Total Land and Buildings	371,669,349	58,877,950	(104,764)	-	-
INFRASTRUCTURE ASSETS					
Electricity					
Festive Lighting	249,990	-	-	-	-
Load Control Equipment	302,823	-	-	-	-
Mains	36,626,346	10,845,766	(10,845,766)	10,250,641	-
Meters	20,294,706	792,831	-	-	-
Reticulation	239,947,665	4,962,248	(999,577)	1,595,879	-
Substations	34,391,417	5,219,978	(5,219,978)	-	-
Transformer Kiosks	69,604	-	-	-	-
	331,882,551	21,820,823	(17,065,321)	11,846,520	-
Roads					
Bridges, Subways and Culverts	3,545,906	1,674,865	(628,038)	-	-
Bus Terminals	154,909	-	-	-	-
Car Parks	298,082	-	-	-	-
Motorways	10,474,203	5,347,435	(2,527,178)	4,554,009	-
Other Roads	429,508,465	6,106,587	(4,007,661)	15,070,276	-
Parking Areas	5,218,888	154,631	-	337,902	-
Parking Meters	1,787,985	1,787,985	(1,787,985)	-	-
Pedestrian Facilities	2,322,241	-	-	499,000	-
Sidewalks	4,535,821	2,980,992	(326,815)	-	-
Stormwater Drains	213,664	-	-	-	-
Street Lighting	16,019,348	2,747,470	-	-	-
Taxi Facilities	7,882,511	2,401,767	(2,281,773)	-	-
Traffic Calming	39,557	428,516	(39,557)	-	-
Traffic Signals	650,327	-	-	-	-
Traffic Signs	1,060,260	536,157	(12,216)	-	-
	483,712,167	24,166,405	(11,611,223)	20,461,187	-
Sewerage					
Outfall Sewers	8,866,931	-		-	-
Purification Works	24,844,475	12,597,445	(2,493,693)	5,222,239	-
Sewer Mains	5,956,701	11,658,701	(6,467,243)	13,501,051	-
Sewerage Pumps	2,977,952	494,164	-	2,010,000	-
Sewers	182,743,708	3,077,742	(1,854,492)	-	-
	225,389,767	27,828,052	(10,815,428)	20,733,290	-
Water					
Dams	15,665,087	-	-	-	-
Mains	49,596,599	41,636,746	(37,397,992)	250,000	-
Meters	7,412,953	166,816	-	-	-
Reservoirs	21,030,250	1,294,127	(1,294,127)	6,673,903	-
Reticulation	199,950,436	29,303,971	(6,906,002)	19,529,701	-
Treatment Works	23,185,111	-	-	-	-
	316,840,436	72,401,660	(45,598,121)	26,453,604	-
Infrastructure Assets carried forward	1,357,824,921	146,216,940	(85,090,093)	79,494,601	-

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

			Accumulated Depreciation		
Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
R	R	R	R	R	R
123,537,323	-			-	123,537,323
306,905,212	171,245,775	7,896,375		179,142,150	127,763,062
430,442,535	171,245,775	7,896,375	-	179,142,150	251,300,385
249,990	99,996	49,998		149,994	99,996
302,823	302,823	-		302,823	-
46,876,987	26,246,357	1,061,332		27,307,689	19,569,298
21,087,537	10,834,899	635,856		11,470,755	9,616,782
245,506,215	112,062,284	7,312,839		119,375,123	126,131,092
34,391,417	21,981,499	680,631		22,662,130	11,729,287
69,604	6,960	2,320		9,280	60,324
348,484,573	171,534,818	9,742,976	-	181,277,794	167,206,779
4,592,733	206,460	124,757		331,217	4,261,516
154,909	15,491	7,745		23,236	131,673
298,082	200,396	6,968		207,364	90,718
17,848,469	2,574,366	771,042		3,345,408	14,503,061
446,677,667	319,621,106	18,021,400		337,642,506	109,035,161
5,711,421	4,343,835	95,974		4,439,809	1,271,612
1,787,985	-	59,600		59,600	1,728,385
2,821,241	99,771	199,543		299,314	2,521,927
7,189,998	455,679	400,544		856,223	6,333,775
213,664	99,155	7,699		106,854	106,810
18,766,818	11,444,210	262,248		11,706,458	7,060,360
8,002,505	443,192	331,760		774,952	7,227,553
428,516	-	21,426		21,426	407,090
650,327	343,246	23,551		366,797	283,530
1,584,201	674,590	66,119		740,709	843,492
516,728,536	340,521,497	20,400,376	-	360,921,873	155,806,663
8,866,931	1,274,648	318,662		1,593,310	7,273,621
40,170,466	13,779,951	954,763		14,734,714	25,435,752
24,649,210	-	444,570		444,570	24,204,640
5,482,116	363,000	215,002		578,002	4,904,114
183,966,958	111,678,521	4,131,511		115,810,032	68,156,926
263,135,681	127,096,120	6,064,508	-	133,160,628	129,975,053
15,665,087	14,903,289	45,266		14,948,555	716,532
54,085,353	6,923,713	1,874,321		8,798,034	45,287,319
7,579,769	2,170,079	414,908		2,584,987	4,994,782
27,704,153	14,244,265	335,691		14,579,956	13,124,197
241,878,106	138,795,151	17,199,682		155,994,833	85,883,273
23,185,111	15,763,387	446,348		16,209,735	6,975,376
370,097,579	192,799,884	20,316,216	-	213,116,100	156,981,479
1,498,446,369	831,952,319	56,524,076	-	888,476,395	609,969,974

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

	Cost				
	Opening Balance	Additions	Under Construction Capitalised	Under Construction	Disposals
	R	R	R	R	R
Infrastructure Assets brought forward	1,357,824,921	146,216,940	(85,090,093)	79,494,601	-
Security					
Access Control Systems	43,910	24,566	(24,566)	-	-
Fencing	2,094,446	360,047	-	-	-
Lighting	6,585	-	-	-	-
Security Systems	289,283	183,505	-	-	-
	2,434,224	568,118	(24,566)	-	-
Total Infrastructure Assets	1,360,259,145	146,785,058	(85,114,659)	79,494,601	-
COMMUNITY ASSETS					
Buildings					
Agriculture	91,954	-	-	-	-
Aquariums	-	431,338	-	-	-
Beachfront Developments	26,293,225	-	-	-	-
Cemeteries	12,187,715	120,674	(120,674)	-	-
Clinics & Hospitals	3,238,806	1,804,076	(1,651,513)	-	-
Community Centres	8,983,243	839,167	(284,736)	-	-
Fire Stations	175,680	852,236	-	-	-
Libraries	313,594	622,573	-	-	-
Nature Reserves	-	1,189,638	-	-	-
Parks	7,205,111	-	-	-	-
Public Conveniences	1,060,073	-	-	-	-
Sports & Related Stadiums	14,491,942	15,269,444	(5,500,000)	-	-
Zoos	624,945	136,668	-	-	-
	74,666,288	21,265,814	(7,556,923)	-	-
Recreational Facilities					
Floodlighting	129,381	25,872	-	-	-
Outdoor Sports Facilities	17,812,490	3,300,493	-	-	-
Swimming Pools	4,549,281	196,046	-	-	-
Tennis Courts	311,366	-	-	-	-
	22,802,518	3,522,411	-	-	-
Total Community Assets	97,468,806	24,788,225	(7,556,923)	-	-
OTHER ASSETS					
Other Properties					
Caravan Parks	822,015	-	-	-	-
Compost Plant	182,353	-	-	-	-
General	24,071	-	-	-	-
Hawker Facilities	308,884	-	-	-	-
Markets	357,623	-	-	-	-
Nurseries	478,396	-	-	-	-
Recycling Centres	5,042,814	9,304,575	-	-	-
Tip Sites	47,244,281	-	-	-	-
Training Centres	160,331	-	-	-	-
Waste Cells	2,899,842	-	-	-	-
	57,520,610	9,304,575	-	-	-
Other Assets carried forward	57,520,610	9,304,575	-	-	-

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

			Accumulated Depreciation		
Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
R	R	R	R	R	R
1,498,446,369	831,952,319	56,524,076	-	888,476,395	609,969,974
43,910	7,737	6,325		14,062	29,848
2,454,493	1,739,094	306,729		2,045,823	408,670
6,585	6,585	-		6,585	-
472,788	235,011	66,377		301,388	171,400
2,977,776	1,988,427	379,431	-	2,367,858	609,918
1,501,424,145	833,940,746	56,903,507	-	890,844,253	610,579,892
91,954	9,196	4,598		13,794	78,160
431,338	-	7,189		7,189	424,149
26,293,225	23,319,799	104,442		23,424,241	2,868,984
12,187,715	2,776,514	326,152		3,102,666	9,085,049
3,391,369	143,523	81,722		225,245	3,166,124
9,537,674	3,629,796	290,597		3,920,393	5,617,281
1,027,916	6,109	20,060		26,169	1,001,747
936,167	268,217	12,645		280,862	655,305
1,189,638	-	19,827		19,827	1,169,811
7,205,111	4,245,395	124,814		4,370,209	2,834,902
1,060,073	70,672	35,336		106,008	954,065
24,261,386	4,657,507	409,950		5,067,457	19,193,929
761,613	330,772	12,359		343,131	418,482
88,375,179	39,457,500	1,449,691	-	40,907,191	47,467,988
155,253	36,604	6,775		43,379	111,874
21,112,983	3,932,209	849,567		4,781,776	16,331,207
4,745,327	2,885,024	101,108		2,986,132	1,759,195
311,366	102,356	11,612		113,968	197,398
26,324,929	6,956,193	969,062	-	7,925,255	18,399,674
114,700,108	46,413,693	2,418,753	-	48,832,446	65,867,662
822,015	495,187	15,563		510,750	311,265
182,353	18,236	9,118		27,354	154,999
24,071	-	-		-	24,071
308,884	33,554	15,296		48,850	260,034
357,623	13,141	11,921		25,062	332,561
478,396	37,603	15,947		53,550	424,846
14,347,389	91,432	324,647		416,079	13,931,310
47,244,281	6,106,734	1,525,657		7,632,391	39,611,890
160,331	32,066	5,344		37,410	122,921
2,899,842	48,330	96,661		144,991	2,754,851
66,825,185	6,876,283	2,020,154	-	8,896,437	57,928,748
66,825,185	6,876,283	2,020,154	-	8,896,437	57,928,748

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

	Cost				
	Opening Balance	Additions	Under Construction Capitalised	Under Construction	Disposals
	R	R	R	R	R
Other Assets brought forward		9,304,575	-	-	-
	57,520,610				
Plant and Equipment					
Chlorination Equipment		-	-	-	-
Compactors	87,765	-	-	-	-
Compressors	5,384,468	-	-	-	-
Cremators	1,722,723	22,214	-	-	-
Electronic Equipment	148,851	1,486,735	-	-	-
Fire Hoses	1,128,948	171,511	-	-	-
General	27,627	294,611	-	-	-
Generators	512,075	332,834	-	-	-
Graders	286,529	158,718	-	-	-
Horticultural Equipment	-	457,899	-	-	-
Laboratory Equipment	1,646,226	13,535	-	-	-
Mobile Pumps	210,659	85,246	-	-	-
Other Emergency Equipment	11,671	819,719	-	-	-
Pumps	51,388	-	-	-	-
Radio Equipment	2,645,948	492,072	-	-	-
Telecommunication Equipment	387,949	-	-	-	-
Tractors	616,205	96,800	-	-	-
Trailers	1,186,780	24,128	-	-	-
Watercraft	117,000	-	-	-	-
Workshop Equipment	117,434	68,052	-	-	-
	575,473	4,524,074	-	-	-
Office Equipment	16,865,719				
Air Conditioners		334,362	-	-	-
Computer Hardware	438,707	8,417,277	(1,329,300)	-	-
Computer Software	13,954,105	3,904,399	-	-	-
Office Machines	1,142,825	2,341,063	-	-	-
	24,456,076	14,997,101	(1,329,300)	-	-
Furniture and Fittings					
Cabinets and Cupboards	130,434	40,487	-	-	-
General	21,537	93,619	-	-	-
Tables and Desks	128,445	117,828	(11,898)	-	-
	280,416	251,934	(11,898)	-	-
Motor Vehicles					
Fire Engines	4,196,062	2,358,466	(1,317,263)	-	-
Mobile Libraries	41,568	-	-	-	-
Motor Vehicles	5,842,244	3,000,122	-	-	(376,194)
Refuse Vehicles	-	532,064	-	-	-
Tankers	434,870	-	-	-	-
Trucks and Bakkies	13,046,678	7,255,656	-	-	-
	23,561,422	13,146,308	(1,317,263)	-	(376,194)
Capital leases					
Motor Vehicles	7,194,234	-	-	-	-
	7,194,234	-	-	-	-
General					
Planning	2,286,846	-	-	772,659	-
	2,286,846	-	-	772,659	-
Total Other Assets	132,165,323	42,223,992	(2,658,461)	772,659	(376,194)
TOTAL	1,961,562,623	272,675,225	(95,434,807)	80,267,260	(376,194)

Under Construction Balance	
Opening Balance (incl. in Opening Balance - Cost)	106,293,506
Capitalised during the year	95,434,807)
Under Construction 2004-05 carried forward (incl. in Opening Balance - Cost)	10,858,699
Under Construction - 2005-06	80,267,260
Year-End Under Construction Balance	91,125,959

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

			Accumulated Depreciation		
Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
R	R	R	R	R	R
66,825,185	6,876,283	2,020,154	-	8,896,437	57,928,748
87,765	82,992	4,773	-	87,765	-
5,384,468	2,102,937	367,097	-	2,470,034	2,914,434
1,722,723	689,089	344,545	-	1,033,634	689,089
171,065	49,617	10,664	-	60,281	110,784
2,615,683	412,895	381,358	-	794,253	1,821,430
199,138	2,763	22,676	-	25,439	173,699
806,686	324,802	131,875	-	456,677	350,009
619,363	32,746	74,215	-	106,961	512,402
158,718	-	7,936	-	7,936	150,782
2,104,125	603,989	284,846	-	888,835	1,215,290
224,194	84,264	43,485	-	127,749	96,445
96,917	4,668	10,859	-	15,527	81,390
871,107	2,569	48,977	-	51,546	819,561
2,645,948	1,447,808	146,776	-	1,594,584	1,051,364
880,021	38,795	117,344	-	156,139	723,882
616,205	61,620	123,241	-	184,861	431,344
1,283,580	59,339	131,243	-	190,582	1,092,998
141,128	11,700	25,813	-	37,513	103,615
117,434	3,914	7,829	-	11,743	105,691
643,525	57,547	121,900	-	179,447	464,078
21,389,793	6,074,054	2,407,452	-	8,481,506	12,908,287
773,069	43,871	143,468	-	187,339	585,730
16,008,416	2,743,442	3,328,058	-	6,071,500	9,936,916
17,858,504	9,955,192	4,098,055	-	14,053,247	3,805,257
3,483,888	328,872	404,236	-	733,108	2,750,780
38,123,877	13,071,377	7,973,817	-	21,045,194	17,078,683
170,921	16,646	21,525	-	38,171	132,750
115,156	4,060	12,966	-	17,026	98,130
234,375	8,325	25,822	-	34,147	200,228
520,452	29,031	60,313	-	89,344	431,108
5,237,265	287,880	202,902	-	490,782	4,746,483
41,568	8,314	4,157	-	12,471	29,097
8,466,172	2,428,103	1,345,885	(43,889)	3,730,099	4,736,073
532,064	-	17,735	-	17,735	514,329
434,870	57,982	28,991	-	86,973	347,897
20,302,334	1,813,051	3,119,085	-	4,932,136	15,370,198
35,014,273	4,595,330	4,718,755	(43,889)	9,270,196	25,744,077
7,194,234	6,856,870	337,364	-	7,194,234	-
7,194,234	6,856,870	337,364	-	7,194,234	-
3,059,505	-	-	-	-	3,059,505
3,059,505	-	-	-	-	3,059,505
172,127,319	37,502,945	17,517,855	(43,889)	54,976,911	117,150,408
2,218,694,107	1,089,103,159	84,736,490	(43,889)	1,173,795,760	1,044,898,347

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

	Cost				
	Opening Balance	Additions	Under Construction Capitalised	Under Construction	Disposals
	R	R	R	R	R
LAND AND BUILDINGS					
Land	81,556,300	41,981,023	-	-	-
Buildings	290,113,049	16,896,927	(104,764)	-	-
Total Land and Buildings	371,669,349	58,877,950	(104,764)	-	-
INFRASTRUCTURE ASSETS					
Electricity					
Festive Lighting	249,990	-	-	-	-
Load Control Equipment	302,823	-	-	-	-
Mains	36,626,346	10,845,766	(10,845,766)	10,250,641	-
Meters	20,294,706	792,831	-	-	-
Reticulation	239,947,665	4,962,248	(999,577)	1,595,879	-
Substations	34,391,417	5,219,978	(5,219,978)	-	-
Transformer Kiosks	69,604	-	-	-	-
	331,882,551	21,820,823	(17,065,321)	11,846,520	-
Roads					
Bridges, Subways and Culverts	3,545,906	1,674,865	(628,038)	-	-
Bus Terminals	154,909	-	-	-	-
Car Parks	298,082	-	-	-	-
Motorways	10,474,203	5,347,435	(2,527,178)	4,554,009	-
Other Roads	429,508,465	6,106,587	(4,007,661)	15,070,276	-
Parking Areas	5,218,888	154,631	-	337,902	-
Parking Meters	1,787,985	1,787,985	(1,787,985)	-	-
Pedestrian Facilities	2,322,241	-	-	499,000	-
Sidewalks	4,535,821	2,980,992	(326,815)	-	-
Stormwater Drains	213,664	-	-	-	-
Street Lighting	16,019,348	2,747,470	-	-	-
Taxi Facilities	7,882,511	2,401,767	(2,281,773)	-	-
Traffic Calming	39,557	428,516	(39,557)	-	-
Traffic Signals	650,327	-	-	-	-
Traffic Signs	1,060,260	536,157	(12,216)	-	-
	483,712,167	24,166,405	(11,611,223)	20,461,187	-
Sewerage					
Outfall Sewers	8,866,931	-	-	-	-
Purification Works	24,844,475	12,597,445	(2,493,693)	5,222,239	-
Sewer Mains	5,956,701	11,658,701	(6,467,243)	13,501,051	-
Sewerage Pumps	2,977,952	494,164	-	2,010,000	-
Sewers	182,743,708	3,077,742	(1,854,492)		-
	225,389,767	27,828,052	(10,815,428)	20,733,290	-
Water					
Dams	15,665,087	-	-	-	-
Mains	49,596,599	41,636,746	(37,397,992)	250,000	-
Meters	7,412,953	166,816	-	-	-
Reservoirs	21,030,250	1,294,127	(1,294,127)	6,673,903	-
Reticulation	199,950,436	29,303,971	(6,906,002)	19,529,701	-
Treatment Works	23,185,111	-	-	-	-
	316,840,436	72,401,660	(45,598,121)	26,453,604	-
Infrastructure Assets carried forward	1,357,824,921	146,216,940	(85,090,093)	79,494,601	-

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

Closing Balance	Opening Balance	Additions	Accumulated Depreciation Disposals	Closing Balance	Carrying Value
R	R	R	R	R	R
123,537,323	-	-	-	-	123,537,323
306,905,212	171,245,775	7,896,375	-	179,142,150	127,763,062
430,442,535	171,245,775	7,896,375	-	179,142,150	251,300,385
249,990	99,996	49,998	-	149,994	99,996
302,823	302,823	-	-	302,823	-
46,876,987	26,246,357	1,061,332	-	27,307,689	19,569,298
21,087,537	10,834,899	635,856	-	11,470,755	9,616,782
245,506,215	112,062,284	7,312,839	-	119,375,123	126,131,092
34,391,417	21,981,499	680,631	-	22,662,130	11,729,287
69,604	6,960	2,320	-	9,280	60,324
348,484,573	171,534,818	9,742,976	-	181,277,794	167,206,779
4,592,733	206,460	124,757	-	331,217	4,261,516
154,909	15,491	7,745	-	23,236	131,673
298,082	200,396	6,968	-	207,364	90,718
17,848,469	2,574,366	771,042	-	3,345,408	14,503,061
446,677,667	319,621,106	18,021,400	-	337,642,506	109,035,161
5,711,421	4,343,835	95,974	-	4,439,809	1,271,612
1,787,985	-	59,600	-	59,600	1,728,385
2,821,241	99,771	199,543	-	299,314	2,521,927
7,189,998	455,679	400,544	-	856,223	6,333,775
213,664	99,155	7,699	-	106,854	106,810
18,766,818	11,444,210	262,248	-	11,706,458	7,060,360
8,002,505	443,192	331,760	-	774,952	7,227,553
428,516	-	21,426	-	21,426	407,090
650,327	343,246	23,551	-	366,797	283,530
1,584,201	674,590	66,119	-	740,709	843,492
516,728,536	340,521,497	20,400,376	-	360,921,873	155,806,663
8,866,931	1,274,648	318,662	-	1,593,310	7,273,621
40,170,466	13,779,951	954,763	-	14,734,714	25,435,752
24,649,210	-	444,570	-	444,570	24,204,640
5,482,116	363,000	215,002	-	578,002	4,904,114
183,966,958	111,678,521	4,131,511	-	115,810,032	68,156,926
263,135,681	127,096,120	6,064,508	-	133,160,628	129,975,053
15,665,087	14,903,289	45,266	-	14,948,555	716,532
54,085,353	6,923,713	1,874,321	-	8,798,034	45,287,319
7,579,769	2,170,079	414,908	-	2,584,987	4,994,782
27,704,153	14,244,265	335,691	-	14,579,956	13,124,197
241,878,106	138,795,151	17,199,682	-	155,994,833	85,883,273
23,185,111	15,763,387	446,348	-	16,209,735	6,975,376
370,097,579	192,799,884	20,316,216	-	213,116,100	156,981,479
1,498,446,369	831,952,319	56,524,076	-	888,476,395	609,969,974

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

	Cost				
	Opening Balance	Additions	Under Construction Capitalised	Under Construction	Disposals
	R	R	R	R	R
Infrastructure Assets brought forward	1,357,824,921	146,216,940	(85,090,093)	79,494,601	-
Security					
Access Control Systems	43,910	24,566	(24,566)	-	-
Fencing	2,094,446	360,047	-	-	-
Lighting	6,585	-	-	-	-
Security Systems	289,283	183,505	-	-	-
	2,434,224	568,118	(24,566)	-	-
Total Infrastructure Assets	1,360,259,145	146,785,058	(85,114,659)	79,494,601	-
COMMUNITY ASSETS					
Buildings					
Agriculture	91,954	-	-	-	-
Aquariums	-	431,338	-	-	-
Beachfront Developments	26,293,225	-	-	-	-
Cemeteries	12,187,715	120,674	(120,674)	-	-
Clinics & Hospitals	3,238,806	1,804,076	(1,651,513)	-	-
Community Centres	8,983,243	839,167	(284,736)	-	-
Fire Stations	175,680	852,236	-	-	-
Libraries	313,594	622,573	-	-	-
Nature Reserves	-	1,189,638	-	-	-
Parks	7,205,111	-	-	-	-
Public Conveniences	1,060,073	-	-	-	-
Sports & Related Stadiums	14,491,942	15,269,444	(5,500,000)	-	-
Zoos	624,945	136,668	-	-	-
	74,666,288	21,265,814	(7,556,923)	-	-
Recreational Facilities					
Floodlighting	129,381	25,872	-	-	-
Outdoor Sports Facilities	17,812,490	3,300,493	-	-	-
Swimming Pools	4,549,281	196,046	-	-	-
Tennis Courts	311,366	-	-	-	-
	22,802,518	3,522,411	-	-	-
Total Community Assets	97,468,806	24,788,225	(7,556,923)	-	-
OTHER ASSETS					
Other Properties					
Caravan Parks	822,015	-	-	-	-
Compost Plant	182,353	-	-	-	-
General	24,071	-	-	-	-
Hawker Facilities	308,884	-	-	-	-
Markets	357,623	-	-	-	-
Nurseries	478,396	-	-	-	-
Recycling Centres	5,042,814	9,304,575	-	-	-
Tip Sites	47,244,281	-	-	-	-
Training Centres	160,331	-	-	-	-
Waste Cells	2,899,842	-	-	-	-
	57,520,610	9,304,575	-	-	-
Other Assets carried forward	57,520,610	9,304,575	-	-	-

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

			Accumulated Depreciation		
Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
R	R	R	R	R	R
1,498,446,369	831,952,319	56,524,076	-	888,476,395	609,969,974
43,910	7,737	6,325		14,062	29,848
2,454,493	1,739,094	306,729		2,045,823	408,670
6,585	6,585	-		6,585	-
472,788	235,011	66,377		301,388	171,400
2,977,776	1,988,427	379,431	-	2,367,858	609,918
1,501,424,145	833,940,746	56,903,507	-	890,844,253	610,579,892
91,954	9,196	4,598		13,794	78,160
431,338	-	7,189		7,189	424,149
26,293,225	23,319,799	104,442		23,424,241	2,868,984
12,187,715	2,776,514	326,152		3,102,666	9,085,049
3,391,369	143,523	81,722		225,245	3,166,124
9,537,674	3,629,796	290,597		3,920,393	5,617,281
1,027,916	6,109	20,060		26,169	1,001,747
936,167	268,217	12,645		280,862	655,305
1,189,638	-	19,827		19,827	1,169,811
7,205,111	4,245,395	124,814		4,370,209	2,834,902
1,060,073	70,672	35,336		106,008	954,065
24,261,386	4,657,507	409,950		5,067,457	19,193,929
761,613	330,772	12,359		343,131	418,482
88,375,179	39,457,500	1,449,691	-	40,907,191	47,467,988
155,253	36,604	6,775		43,379	111,874
21,112,983	3,932,209	849,567		4,781,776	16,331,207
4,745,327	2,885,024	101,108		2,986,132	1,759,195
311,366	102,356	11,612		113,968	197,398
26,324,929	6,956,193	969,062	-	7,925,255	18,399,674
114,700,108	46,413,693	2,418,753	-	48,832,446	65,867,662
822,015	495,187	15,563		510,750	311,265
182,353	18,236	9,118		27,354	154,999
24,071	-	-		-	24,071
308,884	33,554	15,296		48,850	260,034
357,623	13,141	11,921		25,062	332,561
478,396	37,603	15,947		53,550	424,846
14,347,389	91,432	324,647		416,079	13,931,310
47,244,281	6,106,734	1,525,657		7,632,391	39,611,890
160,331	32,066	5,344		37,410	122,921
2,899,842	48,330	96,661		144,991	2,754,851
66,825,185	6,876,283	2,020,154	-	8,896,437	57,928,748
66,825,185	6,876,283	2,020,154	-	8,896,437	57,928,748

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

	Cost				
	Opening Balance	Additions	Under Construction Capitalised	Under Construction	Disposals
	R	R	R	R	R
Other Assets brought forward		9,304,575	-	-	-
	57,520,610				
Plant and Equipment					
Chlorination Equipment		-	-	-	-
Compactors	87,765	-	-	-	-
Compressors	5,384,468	-	-	-	-
Cremators	1,722,723	22,214	-	-	-
Electronic Equipment	148,851	1,486,735	-	-	-
Fire Hoses	1,128,948	171,511	-	-	-
General	27,627	294,611	-	-	-
Generators	512,075	332,834	-	-	-
Graders	286,529	158,718	-	-	-
Horticultural Equipment	-	457,899	-	-	-
Laboratory Equipment	1,646,226	13,535	-	-	-
Mobile Pumps	210,659	85,246	-	-	-
Other Emergency Equipment	11,671	819,719	-	-	-
Pumps	51,388	-	-	-	-
Radio Equipment	2,645,948	492,072	-	-	-
Telecommunication Equipment	387,949	-	-	-	-
Tractors	616,205	96,800	-	-	-
Trailers	1,186,780	24,128	-	-	-
Watercraft	117,000	-	-	-	-
Workshop Equipment	117,434	68,052	-	-	-
	575,473	4,524,074	-	-	-
Office Equipment	16,865,719				
Air Conditioners		334,362	-	-	-
Computer Hardware	438,707	8,417,277	(1,329,300)	-	-
Computer Software	13,954,105	3,904,399	-	-	-
Office Machines	1,142,825	2,341,063	-	-	-
	24,456,076	14,997,101	(1,329,300)	-	-
Furniture and Fittings					
Cabinets and Cupboards	130,434	40,487	-	-	-
General	21,537	93,619	-	-	-
Tables and Desks	128,445	117,828	(11,898)	-	-
	280,416	251,934	(11,898)	-	-
Motor Vehicles					
Fire Engines	4,196,062	2,358,466	(1,317,263)	-	-
Mobile Libraries	41,568	-	-	-	-
Motor Vehicles	5,842,244	3,000,122	-	-	(376,194)
Refuse Vehicles	-	532,064	-	-	-
Tankers	434,870	-	-	-	-
Trucks and Bakkies	13,046,678	7,255,656	-	-	-
	23,561,422	13,146,308	(1,317,263)	-	(376,194)
Capital leases					
Motor Vehicles	7,194,234	-	-	-	-
	7,194,234	-	-	-	-
General					
Planning	2,286,846	-	-	772,659	-
	2,286,846	-	-	772,659	-
Total Other Assets	132,193,792	42,434,578	(2,658,461)	772,659	(376,194)
TOTAL	1,961,591,092	272,885,811	(95,434,807)	80,267,260	(376,194)

Under Construction Balance	
Opening Balance (incl. in Opening Balance - Cost)	106,293,506
Capitalised during the year	95,434,807)
Under Construction 2004-05 carried forward (incl. in Opening Balance - Cost)	10,858,699
Under Construction - 2005-06	80,267,260
Year-End Under Construction Balance	91,125,959

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

			Accumulated Depreciation		
Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
R	R	R	R	R	R
66,825,185	6,876,283	2,020,154	-	8,896,437	57,928,748
87,765	82,992	4,773	-	87,765	-
5,384,468	2,102,937	367,097	-	2,470,034	2,914,434
1,722,723	689,089	344,545	-	1,033,634	689,089
171,065	49,617	10,664	-	60,281	110,784
2,615,683	412,895	381,358	-	794,253	1,821,430
199,138	2,763	22,676	-	25,439	173,699
806,686	324,802	131,875	-	456,677	350,009
619,363	32,746	74,215	-	106,961	512,402
158,718	-	7,936	-	7,936	150,782
2,104,125	603,989	284,846	-	888,835	1,215,290
224,194	84,264	43,485	-	127,749	96,445
96,917	4,668	10,859	-	15,527	81,390
871,107	2,569	48,977	-	51,546	819,561
2,645,948	1,447,808	146,776	-	1,594,584	1,051,364
880,021	38,795	117,344	-	156,139	723,882
616,205	61,620	123,241	-	184,861	431,344
1,283,580	59,339	131,243	-	190,582	1,092,998
141,128	11,700	25,813	-	37,513	103,615
117,434	3,914	7,829	-	11,743	105,691
643,525	57,547	121,900	-	179,447	464,078
21,389,793	6,074,054	2,407,452	-	8,481,506	12,908,287
773,069	43,871	143,468	-	187,339	585,730
16,008,416	2,743,442	3,328,058	-	6,071,500	9,936,916
17,858,504	9,955,192	4,098,055	-	14,053,247	3,805,257
3,483,888	328,872	404,236	-	733,108	2,750,780
38,123,877	13,071,377	7,973,817	-	21,045,194	17,078,683
170,921	16,646	21,525	-	38,171	132,750
115,156	4,060	12,966	-	17,026	98,130
234,375	8,325	25,822	-	34,147	200,228
520,452	29,031	60,313	-	89,344	431,108
5,237,265	287,880	202,902	-	490,782	4,746,483
41,568	8,314	4,157	-	12,471	29,097
8,466,172	2,428,103	1,345,885	(43,889)	3,730,099	4,736,073
532,064	-	17,735	-	17,735	514,329
434,870	57,982	28,991	-	86,973	347,897
20,302,334	1,813,051	3,119,085	-	4,932,136	15,370,198
35,014,273	4,595,330	4,718,755	(43,889)	9,270,196	25,744,077
7,194,234	6,856,870	337,364	-	7,194,234	-
7,194,234	6,856,870	337,364	-	7,194,234	-
3,059,505	-	-	-	-	3,059,505
3,059,505	-	-	-	-	3,059,505
172,366,374	37,508,160	17,551,715	(43,889)	55,015,986	117,350,388
2,218,933,162	1,089,108,374	84,770,350	(43,889)	1,173,834,835	1,045,098,327

Segmental Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY (MUNICIPALITY AND ECONOMIC ENTITY)

Fixed Assets		Historical Cost			
Description	Opening Balance Cost	Additions	Under Construction Capitalised	Under Construction	Disposals
	R	R	R	R	R
Executive and Council	7,368,780	614,697	-	-	-
Finance and Administration	383,584,767	15,575,710	(1,315,906)	-	(273,389)
Planning and Development	26,794,889	60,567,506	(49,857)	1,772,656	-
Health	5,943,225	4,111,778	(1,651,513)	337,902	-
Community and Social Services	31,015,834	3,376,384	(405,410)	-	-
Housing	1,485,732	-	-	6,038,330	-
Public Safety	13,442,149	11,544,637	(3,105,248)	-	-
Sport and Recreation	55,854,692	19,049,176	(5,500,000)	-	-
Road Transport	12,921,760	1,935,603	-	-	-
Environmental Protection	213,360,959	28,923,565	(10,920,192)	1,724,368	(102,805)
Water	452,653,014	29,060,775	(9,823,238)	30,001,814	-
Waste Management	332,504,518	73,912,321	(45,598,121)	18,344,838	-
Electricity	354,494,086	23,779,872	(17,065,322)	22,047,352	-
Other	70,138,218	223,201	-	-	-
BCDA	28,469	210,586	-		-
TOTALS	1,961,591,092	272,885,811	(95,434,807)	80,267,260	(376,194)

Segmental Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY (MUNICIPALITY AND ECONOMIC ENTITY)

		Accumulated Depreciation			
Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
R	R	R	R	R	R
7,983,477	2,086,577	244,632	-	2,331,209	5,652,268
397,571,182	175,286,912	6,484,271	31,895)	181,739,288	215,831,894
89,085,194	6,385,334	10,113,327	-	16,498,661	72,586,533
8,741,392	797,104	703,073	-	1,500,177	7,241,215
33,986,808	8,361,984	865,246	-	9,227,230	24,759,578
7,524,062	74,295	87,519	-	161,814	7,362,248
21,881,538	3,881,687	1,533,124	-	5,414,811	16,466,727
69,403,868	35,823,712	1,599,416	-	37,423,128	31,980,740
14,857,363	5,598,032	739,608	-	6,337,640	8,519,723
232,985,895	127,198,472	9,280,631	(11,994)	136,467,109	96,518,786
501,892,365	325,940,712	19,853,562	-	345,794,274	156,098,091
379,163,556	197,150,864	22,267,447	-	219,418,311	159,745,245
383,255,988	188,813,192	10,933,466	-	199,746,658	183,509,330
70,361,419	11,704,282	31,168	-	11,735,450	58,625,969
239,055	5,215	33,860	-	39,075	199,980
2,218,933,162	1,089,108,374	84,770,350	(43,889)	1,173,834,835	1,045,098,327

Segmental Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2006 (MUNICIPALITY AND ECONOMIC ENTITY) – APPENDIX D

2005 Actual Income	2005 Actual Expenditure	2005 Surplus/(Deficit)		2006 Actual Income	2006 Actual Expenditure	2006 Surplus/(Deficit)
R	R	R		R	R	R
787,622	20,731,442	(19,943,820)	Executive Mayor	17,960,185	66,434,857	(48,474,672)
20,949,215	21,308,402	(359,187)	City Manager	33,176,405	44,705,574	(11,529,169)
425,942,020	158,700,405	267,241,615	Finance	405,824,372	153,423,819	252,400,553
29,864,839	102,774,739	(72,909,900)	Corporate Services	73,233,798	84,920,827	(11,687,029)
782,551,552	730,099,579	52,451,973	Engineering Services	822,809,640	948,927,215	(126,117,575)
82,288,903	118,508,104	(36,219,201)	Planning and Econ. Dev	50,798,531	123,510,819	(72,712,288)
203,941,878	336,297,484	(132,355,606)	Social Services	198,087,904	437,656,789	(239,568,885)
483,128	518,772	(35,644)	BCDA	797,402	1,696,342	(898,940)
1,546,809,157	1,488,938,927	57,870,230	Sub-Total	1,602,688,237	1,861,276,242	(258,588,005)
-	(122,126,002)	122,126,002	Less: Inter-Departmental charges	-	(462,914,622)	462,914,622
1,546,809,157	1,366,812,925	179,996,232	TOTAL	1,602,688,237	1,398,361,620	204,326,617
		3 753 998	Add: Share of Associate			1 418 115
		183 750 230				205 744 732

Actual Versus Budget (REVENUE & EXPENDITURE)

FOR THE YEAR ENDED 30 JUNE 2006 – APPENDIX E
(MUNICIPALITY AND ECONOMIC ENTITY)

	Actual 2006	Budget 2006	Variance	Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property Rates	271,366,074	273,897,670	2,531,596	1	
Service Charges	756,398,603	749,785,660	(6,612,943)	(1)	
Rental of Facilities and Equipment	9,649,462	8,995,029	(654,433)	(7)	
Dividends Received	163,327	-	-	-	
Fines	9,183,555	9,274,832	91,277	1	
Government Grants and Subsidies	264,480,111	279,411,036	14,930,925	5	
Licences and Permits	8,679,557	13,464,906	4,785,349	36	Income received in respect of roadworthy certificates was less than expected.
Other Income	72,601,752	75,850,988	3,249,236	4	
Profit on Sale of Asset	7,280,645	-	-	-	
Donations & Public Contribution- PPE	8,092,821	4,633,671	(3,459,150)	(75)	The transfer of income from Donations & Public Contributions was higher than expected.
Government Grants- PPE	133,505,854	129,726,277	(3,779,577)	(3)	
Interest Earned - External Investments	43,281,158	5,619,640	(37,661,518)	(670)	The increase in the actual interest earned is due to the over-collection from debtors.
Interest Earned - Outstanding Debtors	21,170,524	36,900,205	15,729,681	43	No interest was raised on indigent accounts, debtors under administration, insolvencies and liquidations, deceased estates, closed accounts, debtors that has prescribed, RDP homes and uncollectable business & domestic debt after legal process.
Total Revenue	1,605,853,443	1,587,559,914	(18,293,529)	(1)	

Actual Versus Budget (REVENUE & EXPENDITURE)

FOR THE YEAR ENDED 30 JUNE 2006 – APPENDIX E (MUNICIPALITY AND ECONOMIC ENTITY)

	Actual 2006	Budget 2006	Variance	Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
EXPENDITURE					
Executive Mayor	46,639,741	47,960,447	1,320,706	3	
City Manager	28,918,530	40,840,490	11,921,960	29	Expenses relating to consultant fees, printing & stationery, promotions, public participation workshops and travel and subsistence allowance were lower than expected.
Finance	127,201,288	126,646,923	(554,365)	(0)	
Corporate Services	75,918,359	79,973,316	4,054,957	5	Expenses relating to capital charges were higher than expected.
Engineering Services	674,794,037	714,098,194	39,304,157	6	
Planning & Economic Development	93,696,833	92,785,204	(911,629)	(1)	
Social Services	352,661,696	351,817,368	(844,328)	(0)	
BCDA	1,696,342				
Total Expenditure	1,401,526,826	1,454,121,942	54,291,458	4	
NET SURPLUS FOR THE YEAR	204,326,617	133,437,972	(72,584,987)	(54)	

Actual Versus Budget (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

FOR THE YEAR ENDED 30 JUNE 2006 – APPENDIX F

Description	2006 Actual	2006 Under Construction Capitalised	2006 Under Construction	2006 Total Additions	2006 Budget	2006 Variance	2006 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	R	%	
Executive and Council	614,697	-	-	614,697	3,406,257	(2,791,560)	-82	
Finance and Administration	15,575,710	(1,315,906)	-	14,259,804	22,361,487	(8,101,683)	-36	
Planning and Development	60,567,506	(49,857)	1,772,656	60,517,649	13,510,471	47,007,178	361	Land and Buildings were added to the asset register which amounted to R 54 292 374 (Revaluation Reserve).
Health	4,111,778	(1,651,513)	337,902	2,460,265	4,445,343	(1,985,078)	-37	
Community and Social Services	3,376,384	(405,410)	-	2,970,974	6,958,611	(3,987,637)	-57	
Housing	-	-	6,038,330	-	35,075,134	(35,075,134)	-83	
Public Safety	11,544,637	(3,105,248)	-	8,439,389	18,363,644	(9,924,255)	-54	
Sport and Recreation	19,049,176	(5,500,000)	-	13,549,176	14,556,758	(1,007,582)	-7	
Environmental Protection	1,935,603	-	-	1,935,603	3,931,261	(1,995,658)	-51	
Waste Management	28,923,565	(10,920,192)	1,724,368	18,003,373	23,428,746	(5,425,373)	-16	
Road Transport	29,060,775	(9,823,238)	30,001,814	19,237,537	56,968,107	(37,730,570)	-14	
Water	73,912,321	(45,598,121)	18,344,838	28,314,200	38,948,837	(10,634,637)	20	Donated Assets were received which amounted to R 13 902 813.
Electricity	23,779,872	(17,065,322)	22,047,352	6,714,550	33,850,931	(27,136,381)	-15	
Other	223,201	-	-	223,201	834,000	(610,799)	-73	
TOTALS	272,675,225	(95,434,807)	80,267,260	177,240,418	276,639,587	(99,399,169)	-7	

Consolidated Conditional Grants and Receipts

AT 30 JUNE 2006 – APPENDIX G (MUNICIPALITY AND ECONOMIC ENTITY)

	Unspent Balance	Current Years	Interest	Transfer to Revenue Operating	Transfer to Revenue Capital		Unspent Balance
	01/07/2005	RECEIPTS	ALLOCATED	EXPENDITURE	EXPENDITURE	TRANSFERS	30/06/2006
NATIONAL GOVERNMENT							
Transitional Grant	90,249	-	5,550	-	-	-	95,799
Financial Management Grant	2,551,297	2,500,000	173,184	(2,368,519)	(64,314)	(1,320,919)	1,470,729
Land Affairs	47,848,018	-	2,574,275	(400)	(772,659)	-	49,649,234
Restructuring Grant	34,642,554	35,000,000	2,308,278	(10,449,637)	(11,293,021)		50,208,174
IMEP	441,046	10,657,895	169,300	(5,443)	(12,054,241)	1,232,490	441,047
CMIP	1,447,940	87,244,657	1,382,386	(4,874,820)	(88,144,806)	2,944,643	-
MSIG	500,000	-	-	(68,622)	(699,140)	267,762	-
KWT: Grants Government	2,053	-	-	-	-	-	2,053
Project Consolidated-Billing System-MSIG	1,511,803	4,250,000	329,825	(2,722,097)	-	-	3,369,531
Equitable Share Grant	9,129,662	9,192,514	-	(1,763,231)	(7,402,448)	-	9,156,497
Energy Efficient Technology	5,519,961	-	292,868	-	-	-	5,812,829
Dwaf Funded Projects-Sewerage	895,321	3,721,158	173,139	-	-	-	4,789,618
Dwaf Funded Projects-Water	-	10,182,944	89,126	(748,309)	(2,134,886)	(368,298)	7,020,577
	104,579,904	162,749,168	7,497,931	(23,001,078)	(122,565,515)	2,755,678	132,016,087
PROVINCIAL GOVERNMENT							
Gompo Survey	148,383	-	8,254	(33,608)	-	-	123,029
Upgrade Watersupply	19,069	-	1,173	-		-	20,242
Mdantsane Upgrade - Water & Sewerage	596,220	-	25,067	-	(523,000)	-	98,287
Local Government Housing	9,999,714	43,068,807	1,335,197	(21,196,194)	(6,038,330)	-	27,169,194
Compost Waste Management	48,104	-	2,958	-	-	-	51,062
Disaster Relief Fund	3,829,152	565,566	212,986	(545,175)	(1,427,145)	-	2,635,384
Local Economic Development Fund	2,832,097	106,500	-	(151,592)	-	-	2,787,005
Map Preparation & Planning	75,664	-	3,716	(121,941)	-	42,561	-
Gompo & Mdantsane Art Centres	353,130	-	18,029	(354,020)	-	-	17,139
Environmental Project John Dube	109,889	-	6,758	-	-	-	116,647
Pilot Housing Project	141,757	-	8,717	(216)	-	-	150,258
Reeston Development - Land Affairs	3,495,649	-	235,984		(2,577,774)	-	1,153,859
Leiden Trust Account - Redevelop Duncan Village	173,392	-	10,663	-	-	-	184,055
Mdantsane Urban Renewal Project (Mnt Ruth Node)	4,830,326	31,828	275,047	-	-	-	5,137,201
Ikhwezi Block 1 Development	92,345	-	5,643	-	-	-	97,988
Mdantsane Upgrade - MD/PD:Area Planning	112,675	-	5,031	-	-	-	117,706
Mdantsane Upgrade - PD: Survey	4,817	-	296	-	-	-	5,113
Mdantsane Upgrade - MD Assessment Study	99,366	-	6,111	-	-	-	105,477
Provincial Government carried forward	26,961,749	43,772,701	2,161,630	(22,402,746)	(10,566,249)		39,969,646

Consolidated Conditional Grants and Receipts

AT 30 JUNE 2006 – APPENDIX G CONTINUED (MUNICIPALITY AND ECONOMIC ENTITY)

	UNSPENT BALANCE	CURRENT YEARS	INTEREST	TRANSFER TO REVENUE OPERATING	TRANSFER TO REVENUE CAPITAL		UNSPENT BALANCE
	01/07/2005	RECEIPTS	ALLOCATED	EXPENDITURE	EXPENDITURE	TRANSFERS	30/06/2006
Provincial Government brought forward	26,961,749	43,772,701	2,161,630	(22,402,746)	(10,566,249)	-	39,927,085
Mdantsane Upgrade - Art Centre	53,037	-	2,803	-	-	-	55,840
Planning and Map Preparation	184,425	-	12,147	-	-	-	196,572
Upgrade Kwaklifu Settlement - Phakamisa	119,266	-	7,334	-	-	-	126,600
Needscamp Planning	-	-	-	-	-	913,659	-
Potsdam Village - Plan Survey & Upgrade	33,405	-	2,054	-	-	-	35,459
Ilitha Informal Settlement Upgrade	86,296	-	5,296	(1,815)	-	-	89,777
Kwa Tshatshu Settlement Upgrade - Zwelitsha	34,140	-	2,099	-	-	-	36,239
Mdantsane Human Settlement Program	41,311	-	2,540	-	-	-	43,851
Planning Kanana Settlement	20,231	-	249	-	-	-	20,480
DWAF Funded Projects - Water	354,041	-	20,596	(206,242)	-	-	168,395
Mahlangu Village :Panning and Survey	33,770	-	2,077	-	-	-	35,847
Mdantsane Infill Areas: Planning and Survey	196,644	-	12,093	-	-	-	208,737
Phakamisa Clifton PH2:Bongweni:Plan and Survey	223,046	-	9,151	(134,960)	-	-	97,237
Health Management System	142,230	-	6,285	-	-	-	148,515
Aids Training and Info Centre-ATIC	192,832	2,826,911	47,872	(2,244,569)		-	823,046
Yellowwoods-Kei road-survey	-	552,250	19,758				572,008
Yellowwoods-Kei road planning	-	605,800	21,830				27,630
Dept of Sports Recreation, Arts & Culture	-	1,000,000					1,000,000
Transport				(303,668)	(374,090)	677,758	(677,758)
	28,676,423	48,757,662	2,335,814	(25,294,000)	(10,940,339)	1,633,978	43,535,559
TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT	133,256,327	211,506,830	9,833,745	(48,295,078)	(133,505,854)	4,389,656	172,795,968
DONATIONS AND PUBLIC CONTRIBUTIONS							
ADM Funding	639,709	14,744,038	-	(1,707,558)	(1,930,376)	(11,745,813)	11,745,813
CIP/IDZ Funding			-	-	(1,976,990)	1,976,990	(1,976,990)
IDZ Funding - BCDA	373,497	2,128,306	-	-	-	-	2,501,803
BCMET Funding		2,792,969	-	(699,928)	(2,093,040)	(1)	(1)
Public Funding	1,791,083	749,095	33,958	(37,191)	(569,263)	(806,638)	1,967,682
DBSA	-	2,100,837	-	(1,675,754)	(463,286)	38,203	(38,203)
SIDA Development Trust	7,078,797	3,028,449	481,461	(2,399,859)	(602,080)	-	7,586,768
SETA Fund	3,007,915	43,389	133,392	(2,283,000)	-	-	901,696
Housing & Infrastructure Development Award	210,273	-	12,931	-	-	-	223,204
LOTTO Contribution		1,575,000	35,907	(3,615)	-	(854,048)	1,607,292
Sundry Funding	273,950	-	-	-	-	(273,950)	273,950
VUNA Award	2,013,050	(250,000)	76,503	(113,175)	(457,785)	-	1,268,593
Aquarium		-	191	-	-	3,108	191
Felzoo	8,102	-	498	-	-	-	8,600
Athletic Track	24,255	-	1,492	-	-	-	25,747
One stop centre (BCM Leiden Platform)	5,344	-	329	-	-	-	5,673
Donations & Public Contributions carried forward	15,425,975	26,912,083	776,662	(8,920,080)	(8,092,820)	(11,662,149)	26,101,820

Consolidated Conditional Grants and Receipts

AT 30 JUNE 2006 – APPENDIX G CONTINUED (MUNICIPALITY AND ECONOMIC ENTITY)

	UNSPENT BALANCE	CURRENT YEARS	INTEREST	TRANSFER TO REVENUE OPERATING	TRANSFER TO REVENUE CAPITAL		UNSPENT BALANCE
	01/07/2005	RECEIPTS	ALLOCATED	EXPENDITURE	EXPENDITURE	TRANSFERS	30/06/2006
Donations & Public Contributions brought forward	15,425,975	26,912,083	776,662	(8,920,080)	(8,092,820)	(11,662,149)	26,101,820
Community Development	1,662,467	-	113,634	-	-	-	1,776,101
Art Gallery	38,674	-	2,378	-	-	-	41,052
Municipal Revenue Enhancement Programme	1,081,463	-	43,937	-	-	-	1,125,400
Climate Protection Implementation	153,803	-	9,064	(26,599)	-	-	136,268
ADM:Township Ext 1:Kidds Beach	54,199	-	3,333	-	-	-	57,532
ADM:Water Dist. Grant-Eureka	20,608	-	1,267	-	-	-	21,875
ADM:Special Grant-Macleantown	8,254	-	508	-	-	-	8,762
ADM:Special Grant-Ext 3:Kaysers	36,050	-	2,217	-	-	-	38,267
ADM:Community Hall:TRC-KWT	655	-	40	-	-	-	695
ADM:Income Generating Project:TRC-KWT	37,219	-	2,289	-	-	-	39,508
ADM:Community Hall:TRC-EL	16,530	-	1,016	-	-	-	17,546
ADM:Income Generating Project:TRC-EL	41,403	-	2,546	-	-	-	43,949
ADM:Tribal Trust:Kwelerha	9,466	-	582	-	-	-	10,048
ADM:Tribal Trust:Nxaruni	110,185	-	6,776	-	-	-	116,961
A.T. Taylor	48,616	-	2,990	-	-	-	51,606
C.H.T. Peplar	38,895	-	2,392	-	-	-	41,287
One stop centre (BCM Leiden Platform)	-	109,445	3,320	(1,488)			111,277
Ward Committee Train-(Stiching ordaid)	-	306,854	9,225				316,079
HIV AIDS Toolkit	-	50,180	2,156				52,336
TOTAL DONATIONS & PUBLIC CONTRIBUTIONS	18,784,462	27,378,562	986,332	(8,948,167)	(8,092,820)	(11,662,149)	30,108,368
TOTAL CONDITIONAL GRANTS & RECEIPTS	152,040,789	238,885,392	10,820,077	(57,243,245)	(141,598,674)	(7,272,493)	202,904,336

Disclosure of Consolidated Conditional Grants and Receipts

AT 30 JUNE 2006 – APPENDIX H

	Executive MAYOR	City MANAGER	FINANCE	Corporate SERVICES	Engineering SERVICES	Planning and ECON. DEV	Planning and ECON. DEV	TOTAL
TRANSFER TO REVENUE - CAPITAL EXPENDITURE								
NATIONAL GOVERNMENT								
Financial Management Grant	-	-	64,314	-	-	-	-	64,314
Land Affairs	-	-	-	-	-	772,659	772,659	-
Restructuring Grant	-	-	1,398,022	7,984,606	1,910,393	-	-	11,293,021
IMEP	-	-	-	-	12,054,241	-	-	12,054,241
CMIP	-	-	-	-	127,768	-	-	127,768
MSIG	-	-	699,140	-	72,381,938	-	-	88,716,179
Equitable Share Grant	-	20,075	-	-	4,053,541	-	-	7,402,448
Dwaf Funded Projects-Sewerage	-	-	-	-	1,724,368	-	-	1,724,368
Dwaf Funded Projects-Water	-	-	-	-	410,518	-	-	410,518
	-	20,075	2,161,476	7,984,606	92,662,767	772,659		121,792,857
PROVINCIAL GOVERNMENT								
Mdantsane Upgrade - Water & Sewerage	-	-	-	-	523,000	-	-	523,000
Local Government Housing	-	-	-	-	-	6,038,328	6,038,328	-
Disaster Relief Fund	-	-	-	-	-	-	-	1,427,145
ECDOT	-	-	-	-	-	374,091	374,091	-
Reeston Development - Water Affairs	-	-	-	-	2,577,774	-	-	2,577,774
	-	-	-	-	3,100,774	6,412,419	6,412,419	4,527,919
TOTAL NAT/PROV GOVERNMENT GRANT	-	20,075	2,161,476	7,984,606	95,763,541	7,185,078	7,185,078	126,320,776
PUBLIC CONTRIBUTIONS AND DONATIONS								
ADM Funding	-	-	-	-	686,033	999,997	999,997	930,379
CIP/IDZ Funding	-	-	-	-	1,976,990	-	-	1,976,990
BCMET Funding	-	-	-	-	-	2,093,041	2,093,041	-
Public Funding	-	-	-	-	-	499,992	499,992	69,271
DBSA	-	-	267,551	195,735	-	-	-	463,286
SIDA Development Trust	-	397,564	-	204,515	-	-	-	602,079
VUNA Award	-	-	-	-	-	-	-	457,785
TOTAL PUBLIC CONTRIBUTIONS & DONATIONS	-	397,564	267,551	400,250	2,663,023	3,593,030	3,593,030	4,499,790
TOTAL CONDITIONAL GRANTS & RECEIPTS	-	417,639	2,429,027	8,384,856	98,426,564	10,778,108	10,778,108	130,820,566

Disclosure of Consolidated Conditional Grants and Receipts

AT 30 JUNE 2006 – APPENDIX H (CONTINUED)

	Executive	City	Finance	Corporate	Engineering	Planning And	Social	Total
	MAYOR	MANAGER		SERVICES	SERVICES	ECON. DEV	SERVICES	
TRANSFER TO REVENUE - OPERATING EXPENDITURE								
NATIONAL GOVERNMENT								
Financial Management Grant	-	-	2,368,519	-	-	-	-	2,368,519
Land Affairs	-	-	-	-	-	400	-	-
Restructuring Grant	489,098	2,120,584	970,589	3,576,953	2,743,893	232,940	315,580	10,216,697
IMEP	-	-	-	-	5,443	-	-	5,443
CMIP	-	-	-	-	3,948,739	-	926,081	4,874,820
MSIG	-	-	50,246	18,376	-	-	-	68,622
Project Consolidated - Billing System-MSIG	238,156	-	2,483,941	-	-	-	-	2,722,097
Equitable Share Grant	-	375,075	-	-	205,563	222,525	960,068	1,763,231
DWAF Funded Projects - Water	-	-	-	-	748,309	-	-	748,309
	727,254	2,495,659	5,873,295	3,595,329	7,651,947	455,865	2,201,729	22,767,738
PROVINCIAL GOVERNMENT								
Gompo Survey	-	-	-	-	-	33,608	-	-
Local Government Housing	-	-	-	-	-	21,196,194		
Disaster Relief Fund	-	-	-	-		-		
Local Economic Development Fund	-	151,592	-	-	-	-		
Map Preparation & Planning	-	-	-	-	-	121,941		
Gompo & Mdantsane Art Centres	-	-	-	-	-	-		
Pilot Housing Project	-	216	-	-	-	-		
Ilitha Informal Settlement Upgrade	-	-	-	-	-	1,815		
Kwa Tshatshu Survey	-	-	-	-	-	206,242		
Phakamisa Clifton PH2: Bongweni: Plan and Survey	-	-	-	-	-	134,960		
Aids Training and Info Centre - ATIC	-	-	-	-	-	-		
Transport	-	-	-	-	-	303,668		
	-	151,808	-	-	-	21,998,428		
TOTAL NAT/PROV GOVERNMENT GRANT	727,254	2,647,467	5,873,295	3,595,329	7,651,947	22,454,293		
PUBLIC CONTRIBUTIONS AND DONATIONS								
ADM Funding	86,720	996,654	-	-	-	-		
BCMET Funding	-	-	-	-	-	699,928		
Public Funding	-	-	-	-	-	-		
DBSA	-	-	1,635,510	40,244	-	-	-	1,675,754
SIDA Development Trust	-	1,036,823	-	399,461	630,841	332,734	-	2,067,125
SETA Fund	-	-	-	2,283,000	-	-	-	2,283,000
LOTTO Contribution	-	-	-	-	-	-	3,615	3,615
VUNA Award	94,030	-	-	15,694		-	3,451	113,175
Climate Protection Implementation	-	26,599	-	-	-	-	-	26,599
One stop centre (BCM Leiden Platform)	1,488	-	-	-	-	-	-	1,488
TOTAL PUBLIC CONTRIBUTIONS & DONATIONS	182,238	2,060,076	1,635,510	2,738,399	630,841	1,032,662	668,441	7,915,505
TOTAL CONDITIONAL GRANTS & RECEIPTS	909,492	4,707,543	7,508,805	6,333,728	8,282,788	23,486,955	6,013,934	34,100,756

Report of the Auditor-general

TO THE COUNCIL OF THE BUFFALO CITY MUNICIPALITY
ON THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF BUFFALO CITY MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006

1. AUDIT ASSIGNMENT

The consolidated financial statements as set out on pages 50 to 119, for the year ended 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 126(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). These consolidated financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these consolidated financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 1512 of 2006, issued in Government Gazette no. 29326 of 27 October 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall consolidated financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

3. BASIS OF ACCOUNTING

The municipality is required to prepare consolidated financial statements on the basis of accounting determined by the National Treasury, as described in the addendum to this report.

4. QUALIFICATION

My concerns below are primarily as a result of the municipality's state of readiness, which was not at the desired level to implement and comply with the new accounting framework partly due to the municipality's initial position that these frameworks, as prescribed by National Treasury, was not applicable for the year under review.

Management has an obligation to put in place controls to help it identify and implement the appropriate accounting frameworks and policies to structure and govern its financial management responsibilities, as required by the MFMA. Management is also required to properly analyse financial risk at account balance level and implement appropriate controls to minimise these risks. During my audit I noted instances where management was not able to implement adequate controls, leading to material misstatement of the financial position of the municipality or where my scope was limited, despite my attempts to undertake alternative audit procedures. These instances of inadequate controls have been included in the paragraphs below.

4.1 Lack of supporting documentation

The non-submission of requested information is in contravention of section 74(1) of the MFMA, which states that the accounting officer must submit to the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required. The following are instances of non-submission:

a) General journals

General journals to the value of R96 284 008 submitted for audit purposes did not have adequate and appropriate documentation to support the transactions that they represented. This is as a result of ineffective reviewing, checking and reconciling of source documentation.

Consequently, it was not possible to obtain all the information and explanations that were considered necessary to gain assurance as to the validity, accuracy and completeness of account balances and classes of transactions as contained in the annual financial statements.

b) Capital commitments

Capital commitments to the amount of R473 905 507 are disclosed in note 32 to the annual financial statements. However, a complete list of signed contracts in support of this amount could not be provided as the municipality does not maintain a centralised register to manage the contracts. Furthermore, contract documents to the value of R2 370 243 could not be provided for audit purposes. Consequently, the completeness, validity and accuracy of capital commitments and related expenditure incurred in respect of these contracts cannot be verified.

4.2 Fixed assets

In terms of section 95(b) of the MFMA, the accounting officer should ensure that full and proper records of the financial affairs of the entity are kept. However, adequate control was not exercised over assets during the year under review. This is a result of asset records not being continuously and effectively monitored by management. The asset register is therefore not adequately maintained and supporting documentation relating to assets was found to be inaccurate and incomplete. In addition, no impairment tests have been conducted on fixed assets as required by GAMAP 17: Property, plant and equipment.

In the absence of adequate fixed asset records, it was not possible to verify the valuation, accuracy and completeness of assets of the municipality to the value of R1 044 898 347, as disclosed in the statement of financial position. This includes R610 579 892 in respect of infrastructure assets and R251 300 385 for land and buildings, the existence of which I could also not verify.

Management has addressed these concerns by adopting a three year plan to prepare and fully implement adequate records for infrastructure assets as disclosed in note 10 to the annual financial statements.

4.3 Accounts payable

Accounts payable are reflected in the statement of financial position at an amount of R77 761 159. In terms of GRAP 1: Presentation of financial statements, the municipality should prepare its financial statements on an accrual basis of accounting. Invoices pertaining to the 2006 year-end were only processed after year-end and, due to inadequate suppliers' reconciliations and monitoring, this was not detected by management. The total amount by which the above balance is understated could not be determined.

4.4 Employee costs

a) The leave records on the personnel system were used as the basis for calculating the R35 059 919 leave accrual disclosed in note 7 to the consolidated annual financial statements. However, leave records for Buffalo City Municipality were found to be inadequate, since these records had not been regularly updated or do not exist and leave forms were not timeously filed. The municipality have implemented controls to ensure that adequate records are maintained, however these controls were only operational for the last 3 months of the year. In the absence of reliable leave records for the entire year under review, it was not possible to verify the accuracy, validity and completeness of the leave accrual.

b) The leave pay accrual had not been discounted to its present value as required by IAS 19: Employee benefits. The financial misstatement in this regard is unknown as the municipality would have to determine an adequate discount rate in accordance with their risk profile, and the discounting period, if not known, would have to be estimated.

c) There is no accounting policy to recognise the municipality's liability for the defined benefit plan in respect of post-employment benefits as required by IAS 19: Employee benefits. Accordingly, neither the liability for post-employment benefits nor the resulting actuarial gain/loss has been recognised in the consolidated annual financial statements. The total misstatement could not be determined in the absence of a policy and related information. The total amount of R75 700 000 in contributions' paid, as disclosed in note 34 to the financial statements, was expensed during the year in the statement of financial performance.

4.5 Government grants

In terms of IAS 20: Accounting for government grants and disclosure of government assistance, conditional government grants must be recognised as income only to the extent that there has been compliance with any conditions/restrictions attached to the grant. To the extent that the conditions/restrictions attached to a grant have not been met, the grant amount received must be deferred and presented as a liability in the statement of financial position and not as a reserve. A government grant reserve to the amount of R350 379 392 is disclosed in the statement of financial position. This should have been classified as a liability in 'the statement of financial position. Reserves are therefore overstated by R350 379 392 and liabilities is understated by the same amount.

4.6 Reserves

In terms of GRAP 1 Presentation of financial statements, paragraph 144, a municipality is not allowed to account for a reserve if it is not represented by cash or if there is no legislative requirement to account for the reserve. Included in the statement of financial position are reserves to the value of R142 251 984 which do not meet these requirements. In terms of GRAP 1: Presentation of financial statements the opening balance (R148 526 515) of these reserves should have been transferred to the opening balance of the accumulated surplus/(deficit), and the current year movement (R6 274 531) should have been expensed in the statement of financial performance. Reserves are therefore overstated by R142 251 984 and expenses are understated by R6 274 531.

4.7 Revenue and accounts receivable

In terms of paragraph 37 of GAMAP 9: Revenue, service charges revenue should be recognised when it is probable that the economic benefits would flow to the entity and the revenue can be measured reliably. This was not complied with as service charges for June 2006 in the amount of R37 681 128 were not recognised. However June 2005 service charges in the amount of R35 324 294 were recognised. As a result revenue is understated by R2 356 834 and accounts receivable is understated by R37681 128. Furthermore, accounts receivable has not been disclosed in terms of IAS 32: Financial instruments - disclosure and presentation.

4.8 Provisions

The carrying value of landfill sites as at 30 June 2006 is recorded in the fixed asset register at R47 244 281. No liability in respect of the obligation for restoring/rehabilitating these landfill sites has been raised as required by GAMAP 19: Provisions, contingent liabilities and contingent assets. The understatement of the liability could not be determined in the absence of management's assessment in this regard.

4.9 Inventory

The definition of inventory in terms' of GAMAP 12: Inventory, paragraph 4, includes goods that are to' be transferred at no charge or at a nominal charge. Paragraph 8 further states that such inventory must be valued at the lower of cost and current replacement cost. The inventory of housing stock meets this definition and management have estimated that the value of such stock is R4 948 995 for 30 June, 2006 and R6 603 000 for 30 June 2005. However, there is no policy in place to account for this inventory as management is of the view that these specific requirements of GAMAP 12 are not applicable to the municipality. As a result, inventory as disclosed in note 13 to the annual financial statements does not include inventories relating to housing stock. Consequently, inventory as disclosed in the statement of financial position is understated by an undetermined amount.

5. ADVERSE AUDIT OPINION

In my opinion, because of the significance of the matters described in the preceding paragraphs and their effect on the consolidated financial statements, the consolidated financial statements of the municipality do not present fairly, in all material respects, the financial position of the entity at 30 June 2006 and the results of its operations and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in paragraph 3, and in the manner required by the MFMA.

6. EMPHASIS OF MATTER

Without further qualifying the audit opinion, attention is drawn to the following matters:

6.1 Basis of accounting

The municipality must prepare 'consolidated financial statements in accordance with the basis of accounting determined by the National Treasury, as described in paragraph 3. GRAP 1: Presentation of financial statements requires the basis of preparation of the consolidated financial statements to be disclosed in the consolidated financial statements. The entity has not complied with this disclosure requirement.

6.2 Material financial statement adjustments

Material changes had to be made to the consolidated financial statements as a result of audit findings and these statements were subsequently re-signed on 4 December 2006. Although I thereafter provided a further opportunity to the municipality to make additional changes to the financial statements based on my audit findings, to the extent possible and practical, the municipality opted not to do so due to a lack of available resources at the time.

7. APPRECIATION

The assistance rendered by the staff of Buffalo City Municipality and Buffalo City Development Agency during the audit is sincerely appreciated.

P. Bhana
for Auditor-General
East London • 20 December 2006

AUDITOR-GENERAL

Addendum to the Report of the Auditor-General on the Consolidated Financial Statements

TO THE COUNCIL OF THE BUFFALO CITY MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 7 December 2005; and
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 15 December 2005.

The standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures are based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

Consideration of the Report of the Auditor-general

ON THE FINANCIAL STATEMENTS OF THE BUFFALO CITY MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006

The Speaker invited the Chairperson of the Audit Committee, Mr. C. Guest, to elaborate on the report, which he duly did.

The Municipal Manager proposed the inclusion of two additional recommendations as set out in paragraphs (4) and (5) hereunder and the Council agreed thereto.

Councillor Rens made reference to a workshop held towards the end of the previous year by consultants, on how to read and interpret the Financial Statements. She expressed the opinion that some of the qualifications were "unfair" to the Council as it appeared that the goal posts were moved in approximately October 2006.

Continuing, Councillor Rens proposed that the Audit Committee submits a report to the Council by the end of March 2007, outlining the progress being made in implementing the steps required to rectify the qualifications on the audit.

Councillor Matika, in concurring with Councillor Rens, proposed that the report be submitted quarterly. He also proposed that the Municipal Manager investigates ways of capacitating the staff complement in the Internal Audit Unit to enable them to anticipate/foresee problems and not to wait for the presentation of financial statements to identify problem areas, as it was his understanding that their set-up was such that they are supposed to be "watchdogs" for the Council.

Councillor Matika further proposed that the Executive Mayor, in consultation and liaison with the Municipal Manager, investigates the possibility of setting up an Oversight Committee of the Council to deal with issues revolving around Terms of Reference of Committees, the outcome of which is to be submitted in the form of a report to the next meeting of the Council.

Councillors Dikimolo and Fritz seconded Councillor Matika's proposals.

Councillor Mdyolo, in concurring with the proposal for quarterly reports from the Audit Committee, stated that an Audit Committee was not a crisis committee, but rather a monitoring or advisory committee and also seconded Councillor Matika's proposals.

RESOLVED:

1. That the Council NOTES the comments of Management on the report of the Auditor-General on the Consolidated Financial Statements of Buffalo City Municipality for the period ended 30 June 2006, as set out in the report of the Municipal Manager attached as an Annexure to Report No. 3 of the Audit Committee to the Council meeting held on 30 January 2007, and ADOPTS them as the Council's official comments.

2. That the Council gives consideration to adopting a structured communication strategy intervention to manage the content and impact of the report of the Auditor-General in order to ensure that investor, community and stakeholder confidence in the overall financial management of the city is maintained.

3. That management, the Office of the Auditor-General and the Audit Committee interact via a formal ongoing working group whose sole terms of reference will be to prevent a repeat of the adverse audit opinion received.

4. That the comments as contained in Report No. 3 of the Audit Committee under the above heading to the Council meeting held on 30 January 2007 and the report of the Municipal Manager to the Audit Committee meeting held on 18 January 2007, attached as an annexure to the abovementioned report, be conveyed to the Auditor-General, the MEC for Finance, the MEC for Local Government, Housing and Traditional Affairs and National Treasury.

5. That Report No. 3 of the Audit Committee under the above heading to the Council meeting held on 30 January 2007, together with the report of the Municipal Manager to the Audit Committee meeting held on 18 January 2007, attached as an Annexure to the aforementioned report, be incorporated into the Annual Report of the Council for the financial year ended 30 June 2006.

6. That the Audit Committee submits quarterly reports to the Council detailing progress made in respect of the implementation of steps to correct the adverse audit opinion received.

Report of the Audit Committee

CONSIDERATION OF THE REPORT OF THE AUDITOR - GENERAL ON THE FINANCIAL STATEMENTS OF THE BUFFALO CITY MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006.

INTRODUCTION

The Auditor - General has completed his audit of the financial position of the Municipality for the financial year ended 30 June 2006.

The Audit Committee considered the report of the Auditor – General read together with the comments of Management on the Report of the Auditor - General. Copies of the reports considered by the Audit Committee are attached hereto as Annexures A and B.

Following consideration of both reports the committee submits its report as follows:

The Committee takes cognizance of the fact that the conversion to new accounting standards is a process and believes that the actions of the Chief Financial Officer to ensure compliance should be noted. The content and impact of the circular of the Accountant General dated 4 October 2006 is noted and the committee encourages management to examine closely the accounting standards with a view to ensuring compliance therewith as a matter of urgency.

The committee recognises that the implementation of the fixed assets register is a complex issue being dealt with in terms of a three year "road map" but urges management to further engage with the Auditor – General and to obtain clarity from the Accountant – General's office regarding the differences of opinion on the content and format of the register.

With regard to the omission of certain accounts payable in the financial statement the Committee takes note of the importance of setting of cut off dates, but nevertheless believes that the current policy should be aligned with the accounting standard and urges that all efforts be made to comply therewith.

Incremental steps were undertaken to improve the accuracy of the leave records during the financial year. However, the committee urges that management interact with the Auditor -General regarding the implications of IAS 19 [Employee benefits including post retirement benefits] and that thereafter the required accounting policy be prepared and implemented in compiling the 2007 financial year statements.

Urgent clarity also requires to be sought from National Treasury regarding the technical accounting treatment of Government Grants and Reserves as well as inventory and the committee urges management to obtain such clarity without delay in order that these matters can be cleared well ahead of the end of the 2006/7 financial year.

The issue of the basis of recognition of income (accounts receivable) is set out in the relevant accounting standard and should be duly complied with by management in future.

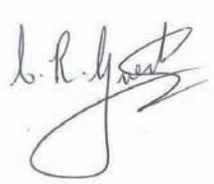
Given the foregoing, and taking note of the serious nature of the adverse audit opinion, arising from both substantive and technical issues, management is urged to implement every possible effort to and to undertake those actions that will avoid a repetition.

The Audit Committee accordingly RECOMMENDS:

1. That the Council notes the comments of management on the Report of the Auditor - General on the Consolidated Financial Statements of the Buffalo City Municipality for the period ended 30 June 2006 and adopts them as the Council's official comments.

2. That Council considers adopting a structured communication strategy intervention to manage the content and impact of the report of the Auditor - General in order to ensure that investor, community and stakeholder confidence in the overall financial management of the city is maintained.

3. That management , the Office of the Auditor – General and the Audit Committee interact via a formal ongoing working group whose sole terms of reference will be to prevent a repeat of the adverse audit opinion received



C.R. GUEST.
CHAIRPERSON: BUFFALO CITY AUDIT COMMITTEE.

(Scanned signature inserted with approval)

Report of the Municipal Manager

REPORT OF THE AUDITOR - GENERAL ON THE FINANCIAL STATEMENTS OF THE BUFFALO CITY MUNICIPALITY
FOR THE YEAR ENDED 30 JUNE 2006.

AUDIT COMMITTEE: 18 JANUARY 2007.

INTRODUCTION

The Auditor - General has completed the audit of the financial position of the Municipality for the financial year ended 30 June 2006. The report of the Auditor General is attached hereto as Annexure A.

THE REPORT

The report was referred to the Directors for comment. Their comments are set out hereunder.

(The numbering in this report corresponds with the numbering used in the report of the Auditor - General.)

4. QUALIFICATION

The qualifications relating to fixed assets, government grants, reserves, revenue and accounts receivable, provisions, inventory and basis of accounting are related to GRAP and post-GRAP implementation. The changes in the accounting standards require considerable work and a plan has been devised to implement these changes over the next two to three years. Most of the matters raised relate to technical issues required by these newly applicable accounting standards and it must be recognised that they will require an implementation time frame.

Buffalo City Municipality has reviewed the specific comments raised by the Auditor-General and believes that they can be divided into two categories as follows:-

- Non-compliance with financial statement preparation framework prior to 09 October 2006, and
- Non-compliance with financial statement preparation framework post 09 October 2006.

With regard to non-compliance prior to 09 October 2006, Buffalo City Municipality have noted the items of non-compliance when measured against the mandatory standards of GRAP 1,2 & 3 and GAMAP 4,6,7,8,9,12 &19 and believe that these issues can be rectified in the new reporting period.

Buffalo City Municipality will also address the non-compliance issues identified after the Accountant General communication dated 04 October 2006 and assess to what extent the Municipality complies with SA GAAP.

It should be noted that compliance with SA GAAP is an onerous undertaking that will require technical expertise and process / accounting changes. Establishing a structured plan that identifies specific action, accountability, timeframes and impact would need to be developed and implemented. Management could then make informed decisions and prioritise action in this regard, taking into account available resources.

4.1 Lack of Supporting Documentation

a) General Journals

Procedures have been put in place to ensure that all general journals contain adequate supporting documentation, or a reference to where the supporting documentation can be found where it is too large to attach to the actual journal, in order to comply with financial accounting procedures.

b) Capital Commitments

A service provider has been appointed to investigate the implementation of a Consolidated Contracts Register, alternatively to recommend interim measures to ensure that all contractual commitments are adequately recorded. Supply Chain Management will put controls in place to ensure that control registers are kept and reviewed regularly. The investigation will also cover control over the movement of contact documentation.

It must however be noted that contract management is currently decentralised and implementing a centralised system will entail considerable time being spent on such a project.

4.2 Fixed Assets

A conscious decision was taken by Management and Council to introduce a GRAP compliant asset register into the Municipality on a phased approach, owing to resource constraints. The Municipality decided to identify, record and value all assets in the following order:-

- Movable assets e.g. furniture and fittings, computers, vehicles etc.
- Land and buildings
- Infrastructure assets e.g. water, electricity and roads

Management and Council acknowledged that a practical approach would need to be adopted in the compilation of this register as information, in some cases dating back more than twenty years, would not be available.

National Treasury has acknowledged that addressing infrastructure assets issues will take several years. National Treasury expects municipalities to prepare an accurate Infrastructure Asset Register within three years of adopting GAMAP/GRAP.

As Buffalo City Municipality is a high capacity municipality, it must therefore have an Infrastructure Asset Register prepared by 30 June 2009 as acknowledged by the Auditor General.

An Infrastructural Asset Management Roadmap was completed in October 2006:

The roadmap has identified:-

- The information to be included in the Asset Register (based on GRAP, the MFMA, and good infrastructure asset management practice, and the opinions of leading experts, practitioners and consultations with the Accountant-General)
- Current information held by various departments in BCM and
- Projects, linked to budget estimates that will supply the outstanding information

In the meantime an Asset Register has been compiled which complies with GRAP.

4.3 Accounts Payable

The timetable for year-end processes which incorporates cut-off dates for payments and accruals was approved by management and circulated to all directorates. To further ensure that all material payments were made, supplier reconciliations were initiated.

The requirements of the accounting standards are noted and the current procedures will be examined to ensure closer alignment therewith. Departments will be urged to adhere to the cut-off dates in order to account for goods and services in the correct accounting period.

In addition, the Supply Chain Management Department will institute further reconciliation procedures in an effort to better align the management practice with the accounting standards. It is envisaged that the centralised contracts register may also assist with this process.

4.4 Employee Costs

Ongoing improvements are being implemented to improve the accuracy of the leave records including more intensive monitoring of the capturing and filing of leave forms. A full review of all leave transactions for the financial year ending 30 June 2007 is being considered, subject to availability of funds, to ensure that the accuracy of the leave records can be fully relied upon.

The provisions of IAS 19 will be discussed with relevant parties, including National Treasury and the Accounting Standards Board to gain a full understanding of the requirements which, after a Financial Policy, will be prepared but it must be noted that progress with this matter will largely be determined by the response of the Accounting Standards Board.

4.5 Government Grants

The treatment of non-distributable and distributable reserves, together with compliance with the compulsory disclosure of the National Treasury contained in the specimen Annual Financial Statements, needs to be clarified further with National Treasury, the Accounting Standards Board and the Auditor-General. National Treasury has issued specific guidance in this regard and Buffalo City Municipality has complied with this guidance.

Buffalo City Municipality will also address the non-compliance issues identified after the Accountant-General communication dated 4 October 2006 and assess to what extent the Municipality complies with SA GAAP.

4.6 Reserves

The treatment of non-distributable and distributable reserves, together with compliance with the compulsory disclosure of the National Treasury issued specimen annual financial statements, needs to be clarified further with National Treasury, the Accounting Standards Board and the Auditor General. National Treasury has issued specific guidance in this regard and Buffalo City Municipality has complied with this guidance.

Buffalo City Municipality will also address the non-compliance issues identified after the Accountant General communication dated 04 October 2006 and assess to what extent the municipality complies with SA GAAP.

4.7 Revenue and Accounts Receivable

Revenue from service charges was previously recorded and recognised in the month following that in which the consumption took place. In future revenue will be recognised and disclosed as an accrual at year end, in order to comply with GRAP requirements.

4.8 Provisions

The comments of the Auditor-General are noted.

This will be dealt with as part of the post-GRAP implementation process during the current 2006/2007 Financial Year.

4.9 Inventory

A factual disagreement exists with regard to the accounting treatment of RDP houses.

The view of management is that taking into consideration that RDP houses are not held for resale, the expenditure relating thereto cannot be included as inventory.

This is the interpretation placed on paragraph 1 of GAMAP 12 which states that an entity shall apply this standard in accounting for inventories other than work-in-progress of services to be provided for no, or nominal, consideration directly in return from the recipients.

It should also be noted that as BCM is essentially acting as an agent on behalf of those organisations financing the construction and hand-over of these RDP houses, and as such these houses cannot be classified as inventory.

At a meeting held on 02 November 2006 between the Accountant-General and the Chief Financial Officers of high capacity municipalities, the accounting treatment relating to RDP houses and the disclosure thereof within the AFS was discussed. It was unanimously agreed that RDP expenditure should be debited to expenses and the income relating to the financing of the houses should be credited to grants and subsidies, both within the operating accounts. Accordingly, BCM has adopted this approach to account for RDP houses. It was agreed that RDP houses should not be classified as inventory and included on the Statement of Financial Position.

This matter will be further discussed at meetings during the financial year 2006/2007 in an effort to resolve the matter of RDP houses and their classification and accounting treatment but it must be noted that progress with this matter will largely be determined by the response of the Accountant-General and the Accounting Standards Board.

5 ADVERSE AUDIT OPINION

Noted.

6 EMPHASIS OF MATTER

6.1 Basis of Accounting

The disclosure requirement is noted and will be complied with.

6.2 Material Financial Statement Adjustments

The comments from the Auditor General are noted.

RECOMMENDATION

IT IS RECOMMENDED

that the comments of management as set out in the report of the Municipal Manager to the Audit Committee meeting held on 18 January 2007 be noted and accepted by the Audit Committee.

G.G. SHARPLEY
MUNICIPAL MANAGER

gw/ Audit Committee 18 January 2007.

Report of the Auditor-General to the Council on Factual Findings on Performance Measurement

AT BUFFALO CITY MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006

1. ASSIGNMENT

The compilation presentation and publishing of performance measurements [as included on pages 152 to 170 of this annual report] and the implementation, management and internal control of supporting systems are the responsibility of the Accounting Officer as required by section 45(b) of the Local Government. Municipal System's Act, 2000 (Act No. 32 of 2000) my responsibility is to provide an assessment of the controls implemented by the accounting officer to develop and manage the Municipality's performance management system. My role is not to assess or comment on the Municipality's actual performance.

2. NATURE AND SCOPE

I have performed the procedures agreed upon and described below regarding the performance measurement system of Buffalo City Municipality The assignment was undertaken in accordance with the International Standard on Related Services (ISRS 4400) applicable to agreed upon procedures engagements.

The procedures were performed solely to evaluate the controls implemented and managed by the accounting officer regarding the Municipality's performance measurement system against the criteria set out in.

- chapter 6 of the Municipal Systems Act. 2000:
- the Local Government, Municipal Planning and Performance Management Regulations, 2001 (No. R. 796)

The procedures performed during our assignment were based on the high-level overview checklist completed by the Accounting Officer and included a review of the following aspects

1. Development of an integrated development plan
2. Development of a performance management system
3. Development and implementation of key performance indicators
4. Setting of targets for key performance indicators
5. Actual service delivery process
6. Internal monitoring or performance measurements
7. Internal control of the performance management system
8. Performance measurement and reporting
9. Revision of strategies and objectives

3. FACTUAL FINDINGS

I report my findings below.

3.1 Development of an Integrated Development Plan

An integrated development plan has been developed which includes all the essential characteristics as required by the relevant laws and regulations.

3.2 Development and implementation of a Performance Management System

The Municipality adopted a Performance Management System framework in order to guide the Municipality with the preparation and the implementation of an institutional and individual performance management system on 25 November 2003 During the performance of our review it was found that the performance management system framework has not been reviewed since its adoption.

3.3 Development and Implementation of key performance indicators and setting targets for key performance indicators The Municipality has set targets for each of the key performance indicators, However, there are no set targets for Municipal entities and service providers with whom the Municipality has entered into a service delivery agreement.

It is noted that there is limited local community involvement in the setting of appropriate key performance indicators and performance targets for the Municipality.

3.4 Actual service delivery

The Municipality has not promoted a culture of performance management among its political structures, political office bearers, councillors and in its administration, as only the performance of Section 57 employees was measured and monitored during the year under review.

3.5 Internal monitoring

The Municipality has not monitored its actual progress in terms of a formally documented process.

3.6 Internal control

Internal audit function performed one audit that covered the scorecard proposed by management as scorecard for 2005/2006 financial year which was not adopted by the council. The second review was undertaken by a service provider and was intended to cover every facet and other shortcomings of the performance management system.

Therefore the performance management system was not audited on a continuous basis during the current year under review.

3.7 Performance measurement and reporting

The Municipality has not followed the process prescribed in its performance management system to measure and report on their performance for 2005/06 financial year.

3.8 Revision of strategies and objectives

The Municipality followed the process prescribed in the performance management system to revise their strategies and objectives for the 2006/07 financial year.

4. STATEMENT

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, I do not express any assurance on the performance measurements as at 30 June 2006.

Had I performed additional procedures or had I performed an audit or review of the performance measurement in accordance with International Standards on Auditing or International Standards on Review Engagements other matters might have come to my attention that would have been reported to you.

This report relates only to the purpose set forth in the first paragraph of this report and does not extend to the financial statements of Buffalo City Municipality taken as a whole.

5. APPRECIATION

The assistance rendered by the staff of Buffalo City Municipality during the assignment is sincerely appreciated.

AUDITOR-GENERAL

S. Ngqwala for Auditor-General
East London • 30 November 2006

Consideration of the Report of the Auditor-General on Performance Measurement

FOR THE YEAR ENDED 30 JUNE 2006

The Chairperson of the Audit Committee (Mr. C. Guest) elaborated on the report.

The Municipal Manager proposed the inclusion of two additional recommendations as set out in paragraph 2 and 3 hereunder and the Council agreed thereto.

RESOLVED:

1. That the Council NOTES the comments of the Audit Committee on the report of the Auditor-General on the Performance Measurements for the period ended 30 June 2006, as set out in Report No. 4 under the above heading to the Council meeting held on 30 January 2007, as well as that of Management set out in the report of the Municipal Manager in the Annexure attached to Report No. 4, and ADOPTS them as the Council's official comments.

2. That the comments as set out in Report No. 4 of the Audit Committee under the above heading to the Council meeting held on 30 January 2007, and the report of the Municipal Manager, be conveyed to the Auditor-General, the MEC for Finance, the MEC for Local Government, Housing and Traditional Affairs and National Treasury.

3. That Report No. 4 of the Audit Committee under the above heading to the Council meeting held on 30 January 2007, together with the report of the Municipal Manager be incorporated into the Annual Report of the Council for the financial year ended 30 June 2006.

Consideration of the Report of the Auditor-General on Performance Measurement

FOR THE YEAR ENDED 30 JUNE 2006.

COUNCIL: 30 JANUARY 2007.
REPORT OF THE AUDIT COMMITTEE.

INTRODUCTION

The Auditor - General has completed the audit of the performance measurement of the Municipality for the financial year ended 30 June 2006. The Audit Committee considered the attached report of the Auditor -General together with the comments of Buffalo City Management and presents its report as follows:

The Committee records its concern at the dysfunctional nature of the Performance Management System during the year under review, but takes cognizance of the fact that Management has made a concerted effort during the subsequent financial year to ensure that a functional Performance Management System is put into place including the revision of the framework.

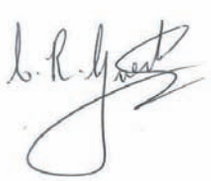
The Committee urges Management to ensure that performance targets are set for those areas where they have not been set including entities and service providers and that improved community consultation processes be established to further foster the culture of performance.

The measurement against targets and indicators is a critical aspect of the system and the Committee therefore urges Management to complete the required performance measurements in the current year as required by legislation and to report thereon to Council in terms of the underlying legislation. Since performance measurements were not performed during the year 2005/2006 only a limited scope of work by the Internal Audit Unit was possible.

Timeframes for the implementation of the activities set out in items 3.3 and 3.5 of the Report of the Auditor-General should be set and strictly monitored on a monthly basis.

The Audit Committee accordingly RECOMMENDS

that the Council notes the comments of Management and the Audit Committee on the Report of the Auditor-General on the Performance Measurements for the period ended 30 June 2006 and adopts them as the Council's official comments.



C.R. GUEST
CHAIRPERSON: BUFFALO CITY AUDIT COMMITTEE

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Report of the Municipal Manager

REPORT OF THE AUDITOR-GENERAL ON PERFORMANCE MEASUREMENT FOR THE YEAR ENDED 30 JUNE 2006.

AUDIT COMMITTEE: 18 JANUARY 2007.

INTRODUCTION

The Auditor-General has completed the audit of the Performance Management System of the Municipality for the financial year ended 30 June 2006. The report of the Auditor General is attached hereto as Annexure B.

THE REPORT

The report was referred to the Directors for comment. Their comments are set out hereunder.

(The numbering in this report corresponds with the numbering used in the report of the Auditor-General.)

3.1 Development of an Integrated Development Plan
Noted and no comment required.

3.2 Development and Implementation of a Performance Management System
The Performance Management System Framework is currently being reviewed and will incorporate these comments.

3.3 Development and Implementation of Key Performance Indicators and Setting of Targets for Key Performance Indicators
In terms of the reviewed Performance Management System Framework, targets will be set for municipal entities and service providers. Further, the reviewed Performance Management System Framework will make explicit the community involvement in target setting.

3.4 Actual Service Delivery
It is Buffalo City Municipality's intention that during the 2006/2007 Financial Year that the Performance Management System will be cascaded to all General Managers and to relevant junior managers.

3.5 Internal Monitoring
The reviewed Performance Management System Framework will document the process to be followed.

3.6 Internal Control
As management assessments were not performed during the year no further work by the Internal Audit Unit was possible.-

3.7 Performance Measurement and Reporting
Noted.

3.8 Revision of Strategies and Objectives
Noted and no comment required.

RECOMMENDATION

IT IS RECOMMENDED

That the comments of Management as set out in the report of the Municipal Manager to the Audit Committee meeting held on 18 January 2007 be noted and accepted by the Audit Committee.

G. G. SHARPLEY
MUNICIPAL MANAGER

gw/ Audit Committee 18 January 2007.

Annual Report of the Audit Committee for the Financial Year

ENDED 30 JUNE 2006

BCC 13/07

The Chairperson of the Audit Committee (Mr Guest) elaborated on the report.

The Municipal Manager proposed the acceptance of the additional recommendation as set out in paragraph (2) hereunder and the Council agreed thereto.

At this stage, the Speaker thanked Mr Guest for his contribution, as well as the Office of the Auditor-General. She also invited the Business Executive in the Provincial Office of the Auditor-General, Mr Ngqwala, to comment on the three reports dealt with under Minute No's. BCC 11/07, 12/07 and 13/07, which he duly did.

Mr Ngqwala also conveyed greetings from the newly appointed Auditor-General to the Council.

RESOLVED:

1. That, for the purpose of the requirements of Section 166(2) (b) of the Local Government: Municipal Finance Management Act, No. 56 of 2003, the Council NOTES Report No. 5 of the Audit Committee under the above heading to the Council meeting held on 30 January 2007; and further, that the Council ACCEPTS the audited Annual Financial Statements.

2. That the Annual Report of the Audit Committee for the financial year ended 30 June 2006 presented at the Council meeting held on 30 January 2007 as Report No. 5, be incorporated into Buffalo City Municipality's Annual Report for the 2005/2006 financial year.

Annual Report of the Audit Committee for the Financial Year

ENDED 30 JUNE 2006.

COUNCIL: 30 JANUARY 2007.

REPORT OF THE AUDIT COMMITTEE.

INTRODUCTION

In terms of Section 166 (2)(b) of the Local Government: Municipal Finance Management Act, No. 56 of 2003 the Audit Committee is required to report in the Annual Report of the Municipality on their perception of the overall control environment and whether or not they consider that the Annual Financial Statements should be accepted by the Council.

TERMS OF REFERENCE

The Audit Committee has adopted appropriate terms of reference which are encapsulated in the Audit Committee Charter, as approved by Council. The Committee has approved an Internal Audit Charter which regulates the operation of the Internal Audit Unit.

The Audit Committee has contributed to the maintenance of effective corporate governance within Buffalo City Municipality during the financial year under review. The Manager: Internal Audit reports operationally to the Audit Committee.

The members of the Committee are:

Member	Position
C R Guest	Chair person
R Bendle	Member
Z Fanana	Member
C Ramoo	Member [Appointed February 2006.]

The Audit Committee convened regularly during the financial year as is set out in the following table.

Date	C Guest	R Bendle	Z Fanana	C Ramoo
27 July 2005	•	•	•	
23 September 2005	•	•	•	
09 November 2005	•	•	•	
16 January 2006	•	•	Apology	
06 April 2006	•	•	•	•
18 May 2006	•	•	Apology	•
27 June 2006	•	•	Apology	•
Meetings attended	7/7	7/7	4/7	3/3

EFFECTIVENESS OF INTERNAL CONTROL

The Audit Committee reviewed reports from the Internal Audit Unit in terms of the approved audit plan. Based on our evaluation of the work of the Internal Audit Unit as well as feedback received from the Office of the Auditor-General, the Committee is of the opinion that, despite the fact that a generally sound internal control system existed during the year under review, certain significant control weaknesses identified by Internal Audit and the Auditor-General still require to be addressed by management, specifically in the areas of monitoring, review and reconciliations.

RISK MANAGEMENT AND LOSS CONTROL

A risk assessment exercise was performed during the year under review which provides a sound platform for the management of risk within the Municipality. It is, however, considered that this process needs to be further developed, and to this end, the committee reports that principles of effective risk management require to be actively championed by management and embedded within the organisation culture.

PERFORMANCE MANAGEMENT

The Audit Committee reports that a Performance Management System has been approved by council but implementation during the period under review was lacking. This failure to implement the system has resulted in the council and stakeholders not being in a position to measure the performance of the Municipality against predetermined and agreed targets as required by legislation. The committee is therefore of the opinion that the Performance Management System was not fully functional during the period under review.

The Committee is also of the view that additional performance management expertise is urgently required on the committee in order to provide the required level of oversight and has accordingly made this request to the Municipal Manager.

EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has:

- reviewed the audited Annual Financial Statements; and
- reviewed the Auditor-General's Report and management's responses thereto.

The detailed findings of the committee in this regard were tabled in a separate report to council dated 30 January 2007.

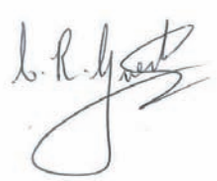
Taking cognisance of the fact that the adverse opinion contained in the Report of the Auditor-General on the Financial Statements resulted from both substantive and technical issues, management is urged to actively engage with both the Auditor–General and the Accountant–General's offices in avoiding a repetition of such opinion. The committee accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General as well as the report of the Audit Committee to the council meeting held on 30 January 2007.

The Audit Committee had no input on the Audit Steering Committee during the Audit process and considers that the Audit Committee should participate in all Audit Steering Committee meetings in future.

APPRECIATION

The committee expresses its sincere appreciation to the Executive Mayor, Council, Municipal Manager, management and officials for their unwavering support and interest in the activities of the committee during the year under review. The support and advice of the Business Executive of the Provincial Office of the Auditor–General, Mr Singa Ngqwala and his staff is also acknowledged.

A special word of appreciation is extended to Mr Geoff Walton and his staff in the Internal Audit Unit for their steadfast efforts during the year under review.



CR Guest
Chairperson of the Audit Committee

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Internal Audit Unit

The Internal Audit, Compliance and Governance Department was established in September 2003. The department was not fully staffed during the period under review and consequently the work of the Department has been limited.

The mission of the department is to contribute to the effectiveness of the operations of Buffalo City Municipality by providing inter-alia an independent appraisal of the municipality's internal controls. The department's aim is to contribute to the council's overall management quality and the achievement of its strategic objectives by:

- providing an independent, objective assurance and consulting service, evaluation of the control environment, including risk assessment and risk management (including control self-assessment processes), compliance, performance management, loss control, corruption mitigation, forensic investigations and good corporate governance

- providing support to Council and management in the discharge of their responsibilities by providing recommendations for improvements to the risk management and control framework

The activities include:

- determining opportunities for improving management practices and internal controls
- determining the level of compliance with policies, procedures and regulations including statutes
- liaison with the Office of the Auditor General

The department is committed to support for line departments through:

- support and teamwork
- openness, courtesy, respect, tolerance, tact, diplomacy, confidentiality, and discretion
- striving for continuous improvement

The General Manager: Internal Audit, Compliance and Governance reported administratively to the Municipal Manager during the period 1 July 2005 to 31 December 2005. With effect from 1 January 2006 the department reported to the Director in the Office of the Executive Mayor and the functions of compliance and governance were removed. During the entire period under review the department reported functionally to the Audit Committee, a statutory committee established in terms of the Local Government: Municipal Finance Management Act.

Work undertaken during the period was aimed at improving the control environment. Internal audits undertaken include:

- a compliance review of the Performance Management System including an assessment of the institutional scorecard, [No measurements were performed in terms of the scorecard the work was limited in scope to compliance and functionality only]
- a compliance review of the Supply Chain Management System. This report serves as a status report to enable management to more fully implement the system
- an audit of compliance with the conditions relating to the Division of Revenue Act
- an audit of the policy and procedures relating to staff transport claims
- an audit of the internal control systems in operation at the Gonubie Resort
- an audit of the pay office
- an audit of the salary procedures
- an audit of inventory procedures
- an audit of the swimming pools and
- an audit of selected operations at the Traffic Department

In addition, the General Manager attended Bid Adjudication Committee meetings for the purpose of giving advice and ensuring compliance with policy and legislative provisions. With effect from 1 January 2006 the General Manager no longer attends Bid Adjudication Committee meetings.

The following challenges face the department:

- the number of staff is insufficient to adequately cover all areas that should be audited
- the general lack of procedure development makes internal audit work difficult
- an appreciation of the need to work in an internal control environment needs to be developed

CHAPTER 05

PERFORMANCE MANAGEMENT & SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN (SDBIP)

Framework for the Performance Management System >

Performance Management & Service Delivery & Budget Implementation Plan (SDBIP)

FRAMEWORK FOR THE PERFORMANCE MANAGEMENT SYSTEM

1. INTRODUCTION

1.1 Strategic Objectives of a Performance Management System

South Africa, more specifically Buffalo City, continues to endure the legacy of under-development, poverty, infrastructure backlogs and inequitable access to basic services. In response to these, government is putting in place various mechanisms and measures to turn the situation around.

In the local government context, a comprehensive and elaborate system of monitoring performance of municipalities has been legislated. The system is intended to continuously monitor the performance of municipalities in fulfilling their developmental mandate. Central to the system is the development of key performance indicators as instruments to assess performance. The indicators help to translate complex socio-economic development challenges into quantifiable and measurable outputs. They are therefore crucial if a proper assessment is to be done of the impact of government in improving the quality of life of all.

In this regard, the Municipal Planning and Performance Management Regulations (2001) stipulate that a "Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review and reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players" (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001).

1.2 Policies and Legislative Framework for Performance Management

The framework for Performance Management is informed by the following policy and legislation on performance management:

- The Constitution (1996)
- The Batho Pele White Paper (1998)
- The White Paper on Local Government (1998)
- The Municipal Systems Act, Act 32 of 2000
- Municipal Planning and Performance Management Regulations (2001)
- Municipal Financial Management Act 56 of 2003 (MFMA)

The Municipal Systems Act, No. 32 of 2000, states that a municipality must:

1. Develop a Performance Management System
2. Set targets, monitor and review performance based on indicators linked to their Integrated Development Plan (IDP)
3. Publish an Annual Report on performance for the councillors, staff, the public and other spheres of Government
4. Conduct an internal audit of performance before tabling the report
5. Have their annual performance report audited by the Auditor-General
6. Involve the community in setting indicators and targets and reviewing municipal performance

The Local Government: Municipal Planning and Performance Management Regulations, 2001, Section 7(2) require that the Municipality, in developing its Performance Management System, must ensure that the system:

1. Complies with all the requirements set out in the Municipal Systems Act
2. Demonstrates how it is to operate and be managed from the planning stage up to the stages of performance review and reporting
3. Clarifies the roles and responsibilities of each role player, including the local community, in the functioning of the system
4. Clarifies the processes of implementing the system within the framework of the Integrated Development Planning process
5. Determines the frequency of reporting and the lines of accountability for performance
6. Relates to the Municipality's Employee Performance Management processes

Furthermore, Section 43 of the Regulations prescribes the following seven general key performance indicators:

1. The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal
2. The percentage of households earning less than R1,100-00 per month with access to free basic services
3. The percentage of the municipality's capital budget actually spent on capital projects in terms of the IDP
4. The number of local jobs created through the municipality's local, economic development initiatives, including capital projects
5. The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan
6. The percentage of a municipality's budget actually spent on implementing its workplace skills plan

7. Financial viability with respect to debt coverage; outstanding debtors in relation to revenue and cost coverage

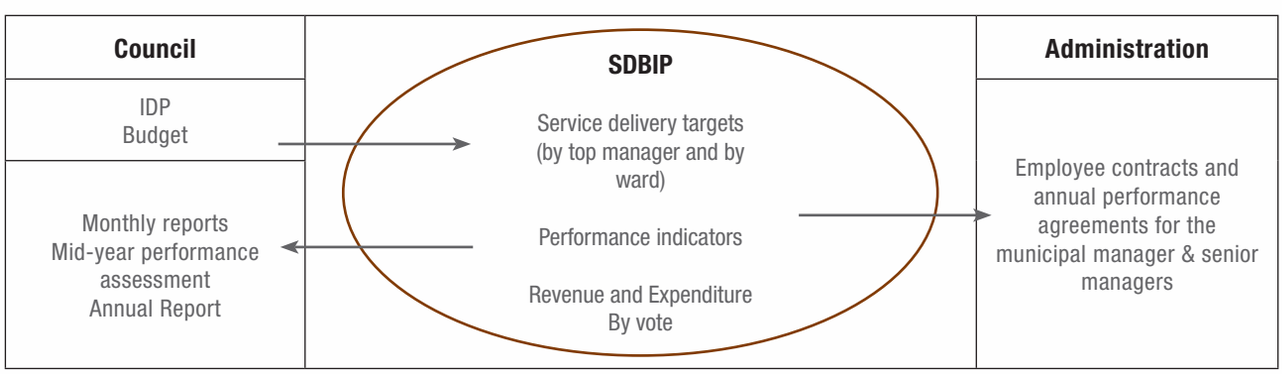
The objective of institutionalising a Performance Management System (PMS), beyond the fulfilling of legislative requirements, is to serve as a primary mechanism to monitor, review and improve the implementation of the Municipality's IDP. In doing so, it should fulfil the following functions:

- Promote accountability
- Guide decision-making and resource allocation
- Guiding development of municipal capacity-building programmes
- Creating a culture of best practice, share learning among Municipalities
- Develop meaningful intervention mechanisms and early warning system
- Create pressure for change at various levels
- Contribute to the overall development of a Local Government system

2. INDIVIDUAL LEVELS (IPMS)

Individual or staff Performance Management deals with performance on the level of the individual employee. Individual performance targets are also formulated during this business planning process. Measuring staff performance provides Council and management with appropriate information on the behaviour of staff and outcomes in the workplace. Reviewing staff performance at regular intervals will provide the Council and management with appropriate information performance gaps or excellence.

By cascading performance measures from strategic to operational level, both the IDP and the SDBIP, forms the link to individual performance management. This ensures that performance management at the various levels relate to one another which is a requirement of the Municipal Planning and Performance Regulations and the MFMA. The MFMA specifically requires that the annual performance agreements of managers must be linked to the SDBIP of a municipality and the measurable performance objectives approved with the budget (Circular 13 of the MFMA). The SDBIP in essence becomes the main operational tool to translate and manage the performance objectives as formulated in the IDP. This process is illustrated by the diagram below and as described in Circular 13.



2.1 Scorecards

A scorecard is a logical and visually powerful method of representing performance management information, at both the organizational/institutional (Municipal and Directorate) and individual (Manager and Employee) levels.

Scorecards must be:

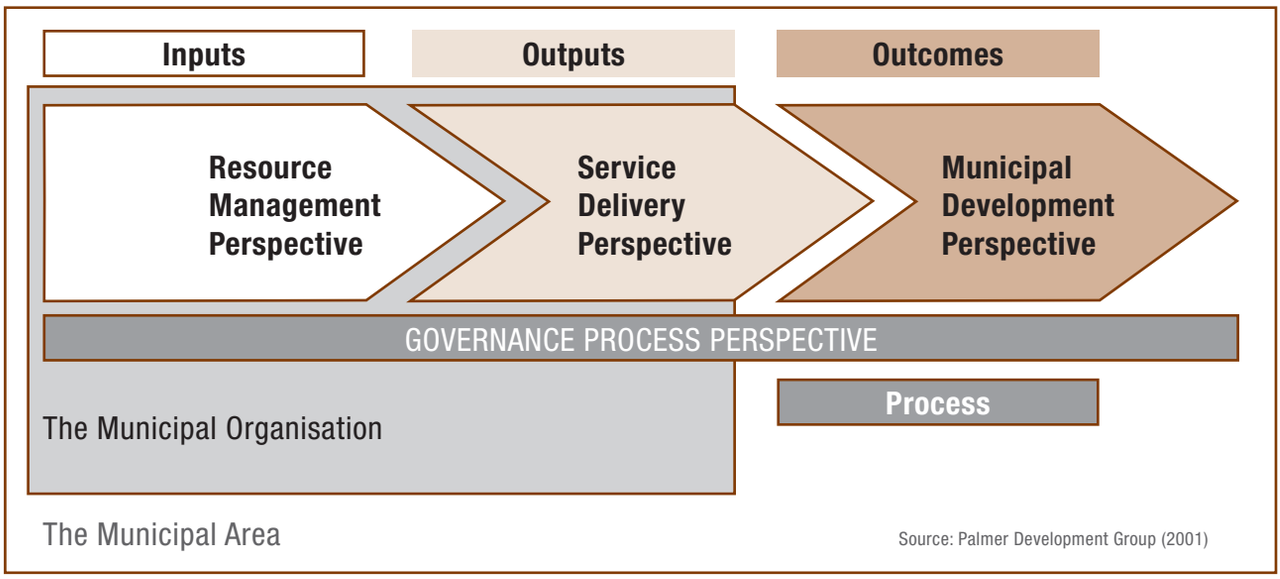
1. Tightly aligned to the strategic planning and IDP processes.
2. Directly relevant to the notion of developmental local government.
3. A balanced view of performance based on inputs, outputs, outcomes and process.
4. A simple portrayal of municipal performance, where inter-relations can be mapped.

There are two levels of scorecards for BCM, i.e. the Institutional Scorecard and Directorate Scorecards.

2.1.1 Municipal Scorecard

A number of performance models are available and any of them could be applied by the Buffalo City Municipality. Some of the available models include the Municipal Scorecard, Balanced Scorecard and the Key Performance Area Model. However, the municipality has chosen the Municipal Scorecard (MS) as its preferred performance management model. In terms of the MS model, all indicators are grouped together into four perspectives as depicted in the figure below, e.g. inputs, process, outputs and outcomes.

The Municipal Scorecard



2.1.1 Institutional Scorecard

BCM has an Institutional Scorecard to be finalised by the Executive Mayor which will reflect its six strategic priorities; namely:

KEY ISSUES	BCM KEY OBJECTIVES
Buffalo City lacks a clearly defined long-term development strategy, which negatively impacts on the ability of BCM & Buffalo City stakeholders to work towards the achievement of Buffalo City's vision.	BCM1 Buffalo City has a clearly defined long-term development strategy, enabling BCM and stakeholders to work together to achieve Buffalo City's vision.
The sustainability of BCM is dependent on expanding its revenue in relation to costs and its financial viability, whilst implementing its mandate.	BCM2 Effective, efficient, co-ordinated financial management and increased revenue - enabling BCM to deliver its mandate*.
Inefficiencies exist within the institution, which compromise BCM's ability to deliver services.	BCM3 BCM's institution is capacitated and structured to enable efficient, effective, and sustainable service delivery.
Low economic growth, high unemployment, low skills levels, high levels of poverty and high inequality exist within BCM.	BCM4 BCM creates an enabling environment for an economy that is growing, diversifying, generating increasing number of sustainable employment opportunities and contributing to increased incomes and equality.
Whilst BCM delivers basic services (water, sanitation, waste removal & electricity) to about 70% of households, many households still lack adequate transport, social services, economic opportunities & an enriching environment.	BCM5 Buffalo City is well structured, efficient and supports sustainable human settlements, thus enabling residents to meet their physical, social, developmental, environmental, cultural & psychological needs. (live, work & play)
Lack of sustainable development and inappropriate use of resources has a harmful impact on the health and well-being of present and future generations of BCM.	BCM6 BCM has a safe, healthy and sustainable environment protected for the benefit of present and future generations through securing ecologically sustainable development and use of natural resources, whilst promoting justifiable social and economic development.

* Mandate: as per the objectives for local government (Section 152 of the Constitution): provision of democratic and accountable local government, ensuring the provision of services in a sustainable manner, promoting social and economic development, promoting a safe and healthy environment, encouraging the involvement of communities and community organisation in matters of local government.

Service Delivery and Budget Implementation Plan

IDP objective no.	Vote/ Indicator	Unit of measurement	Baseline	Annual target	Revised target	Qtr ending 30 Sept 05		Qtr ending 31 Dec 05		Qtr ending 31 Mar 06		Qtr ending 30 Jun 06		Explanation of variance
						Proj	Act	Proj	Act	Proj	Act	Proj	Act	
OFFICE OF THE CITY MANAGER														
Vote: Planning and Development														
EC3	Developed SMME database and profile	% developed	50%	100%		60%	50%	75%	80%	90%	100%	100%	100%	The first phase of the project has been completed and BCM has a copy of the CD
EC3	Enhanced Mdantsane One-Stop Shop	Increase in no. of beneficiaries serviced	40	60		42	40	47	66	58	70	60	80	Increase in the no. of business registrations. i.e Cooperatives & Close Corp.(60) Increase of beneficiaries in the information and business opport.(150 Companies, SMME Seminars) 20 SMME beneficiaries through the Emerging Contractor Training Programme, 4 SMME beneficiaries through market linkage programme (Durban BEE Expo)
EC3	Fleet Africa Car Wash Initiative	No. of informal car washers retained	0	32		0	0	10	15	20	15	32	15	Delayed due to finalisation of the MoU between BCM and Fleet Africa and approval of sites to be utilised by the car washers
EC3	SMME Strategy & Procurement	% completed by 30 April 2006	10%	100%		10%	10%	30%	20%	30%	20%	40%	30%	Contract has been awarded and the first briefing session has been held. Service provider to present the Project Implementation Plan.
EC3	Informal Sector Development	% completed by 30 June 2006	30%	100%		30%	30%	40%	35%	40%	35%	45%	40%	Service provider appointed to facilitate informal sector development (Co-operative Awareness Workshop)
EC3	Established Duncan Village Business Centre	% established by 30 June 2006	30%	100%		50%	40%	60%	50%	70%	60%	100%	65%	Awaiting new site approval by Council for the construction to commence
EC3	Developed Local Economic Development Strategy	% developed by 30 June 2006	0	100%		0%	0%	30%	20%	70%	30%	100%	40%	Project underway. Budget constraints, however, additional resources have been mobilised
EC3	Formalised partnerships with implementing agencies	No. of strategic partnerships (MoU)	1	4		1	1	2	3	3		4	4	

Vote: Planning and Development														
EC2	Developed Business and Investor Guide	% developed by 31 March 2006	50%	100%		60%	55%	80%	80%	100%		100%	100%	Complete
EC4	Integrated Agriculture and Rural Development Strategy	% completed by 30 June 2006	0%	100%		5%	10%	25%	25%	60%	60%	100%	80%	The formulation of the strategy started later than planned and the anticipated completion date was is Oct/Nov 2006, due to broader stakeholder workshops planned The tender was awarded early February 2006 and the strategy was planned to be completed within a six-month period
EC4	Urban agricultural initiatives	No. of support programmes	0	3	13	0	1	1	1	13	13	13	24	The project supported more initiatives than planned due to the garden competition in which 3 more groups were supported and the support from other key stakeholders ???
EC4	Completion of a large project in Ward 11	% of projects completed	0%	100%		0%	0%	10%	0%	10%	40%	100%	100%	All projects are completed
EC4	Established Umqokozo Agricultural Centre	% completion	20%	100%		10%	30%	20%	50%	75%	80%	100%	80%	Project experiencing challenges around operational budget and selection of a suitable site. A meeting to discuss these issues and agree on a way forward will be scheduled soon. Project will be finalised by 06/07
EC1	Fully operational Mdantsane Tourism Development Centre	No. of SMME's assisted	30	60		30	35	40	44	50	55	60	59	
EC1	Enhance Tourism Master Plan Reference and Quality Assurance Group	No. of integrated planning and implementation meetings	3	7		4	3	5	4	6	4	7	7	
EC1	Tourism strategic partnership	No. of partnerships (MOUs) facilitated	1	3		1	1	2	2	2	2	3	3	
EC1	Enhanced local tourism organisation	% established by 30 June 2006	50%	100%		20%	30%	50%	80%	90%	80%	100%	80%	80% of the work has been done
EC1	Establishment of community tourism organisations (CTOs)	% established and operational CTOs	50%	100%		50%	50%	100%	100%					First phase complete Funds to be mobilised in 2006/07 for second phase
EC1	Establishment of Inyathi Buffalo Route (web site linkages)	% Establishment of Inyathi Buffalo Route	50%	100%		75%	80%	100%	100%					Route launched by Executive Mayor on the 27 September 2005
EC 1	Conduct needs analysis of arts and craft industry	% of report	80%	100%		100%	100%		100%					Complete

Vote: Planning and Development														
EC 1	Conduct needs analysis of accommodation, travel and tour operators	% of report	0%	100%		0%	10%	50%	25%	60%	70%	100%	100%	Complete
EC 1	Conduct needs analysis of performing artists	% of report	0%	100%		10%	20%	50%	25%	100%	100%	100%	100%	Complete
EC1	Train tourism products on SA HOST Programme	No. of products trained	200	260		200	200	200	204	220	204	260	260	Completed in April 2006
EC1	Duncan Village GoR & WoF	% completion	0%	40%		0%	0%	10%	5%	20%	25%	40%	30%	Service provider appointed for social facilitation phase. Consultative process with Duncan Village Ward Cllrs. ongoing
EC4	Purchase forklift & barrows	% completed by 30/06/06	0%	100%		5%	10%	50%	20%	75%		100%	100%	Toyota forklift acquired
EC4	Facelift of Market admin. & sales hall	% completed by 30/06/06	0%	100%		5%	10%	50%	20%	60%		100%	100%	Phase I completed
EC 1	Conduct Needs Analysis of Performing Artists	% of report	0%	100%		10%	20%	50%	25%	100%	100%			Report to be finalised by 31 March 2006 - slow response on research being conducted
EC1	Train Tourism Products on SA HOST Programme	No. of products trained	200	260		200	200	200	204	220	204%	260		Training shall commence from March 2006
EC1	Duncan Village GoR & WoF	% completion	0%	40%		0%	0%	10%	5%	20%	25%	40%		
EC3	Formalised partnerships with implementing agencies	No. MOUs	1	4		1	1	2	2	3		4		
EC4	Purchase Forklift & Barrows	% completed by 30/06/06	0%	100%		5%	10%	50%	20%	75%	80%	100%	100%	Toyota forklift acquired.
EC4	Facelift of Market Admin. & Sales Hall	% completed by 30/06/06	0%	100%		5%	10%	50%	20%	60%	80%	100%	100%	Phase 1 completed
F4	Supply chain management compliance programme	No. of training sessions held	0	10		4	2	0	0	8	0	10	0	Function now formally taken over by Chief Financial Officer. This section therefore needs to be transferred to that Directorate
F4	Adopted supply chain management policy	Adopted by Council on 30 September 2005	70%	100%		100%	100%		100%					Completed
F4	Implemented internal audit plan	No. of major audits completed and/or systems reviewed	0	4		1	1	2	3	3	3	4	5	Completed & presented to Audit Committee
E1	Finalised State of the Environment Report	% Finalised by 31 December 2005	40%	100%		50%	50%	70%	70%	100%	100%			Completed
E1	Completed Integrated Environmental Plan	% Finalised by 31 December 2005	40%	100%		50%	50%	70%	70%	100%	90%	100%	100%	Completed

Vote: Planning and Development														
E9	Finalised State of Coastal Zone	% Finalised by 31 December 2005	40%	100%		50%	50%	70%	70%	100%	100%			Achieved
E9	Completed Coastal Zone Management Plan	% completed by 31 January 2006	30%	100%		50%	50%	70%	70%	100%	90%	100%	100%	Completed
E4	Developed Sanitation Policy and Strategy	% Finalised by 31 December 2005	35%	100%		40%	30%:	70%	50%	100%	60%	80	80%	Funding from SIDA has been approved, awaiting consultant contract finalisation
E4	Developed State of Sanitation Report	% Finalised by 31 December 2005	35%	100%		40%	40%	70%	70%	100%	100%			Completed
F11	Adopted reviewed IDP by Council	Adopted by 31 May 2006	100%	100%		20%	20%	40%	40%	75%	100%			Awaiting Council resolution
	Implemented Restructuring Grant Programmes	% progress implemented	0	100%		6%	0.26%	30%	22%	20%	100%			Awaiting Council resolution

OFFICE OF THE EXECUTIVE MAYOR

Vote: Executive & Council														
	Implemented Restructuring Grant Programmes	% progress implemented	0	100%		18%	0%	63%	12%	100%	6.90%			

DIRECTORATE: FINANCIAL SERVICES

Vote: Finance and Administration														
F1	GAMAP compliant financial accounting system	% implemented by 30 June 2006	60%	70%		62%	62%	64%	64%	66%	64%	70%	68%	The Project Execution Plan (PEP) i.r.o the development of the Detailed Roadmap for the Management of Infrastructural Assets indicates that overall the project is on schedule with a limited number of outstanding items being finalised by the end of July 2006
F1	Percentage budget completed	Budget completed in terms of MFMA requirements	90%	100%		20%	20%	50%	50%	80%		100%	100%	Baseline 2006/07 - 2008/09 operating budget done
F1	Improved revenue collection	Total payments/ total levies (incl. arrears)	91%	93%		77%	86%	88%	93%	90%	97%	93%	96.05%	
F1	Reviewed credit control and indigent policies	100% reviewed by 30 June 2006	100%	100%		25%	25%	50%	50%	100%	60%	100%	100%	Draft completed
F1	Implemented general valuation roll	% implemented by 30 June 2006	10%	10%		5%	0%	5%	5%	5%			10%	Delay in signing of performance contract
F1	Submission of Annual Financial Statements	AFS submitted to AG by 31 August 2005	100%	100%		100%	100%							AFS submitted to the AG - 31 Aug 05
F1	Percentage creditor payments on time	No. paid/ total no.	90%	95%		90%	90%	91%	93%	93%	94%	95%	96%	Performance within the targeted percentage

Vote: Finance and Administration													
F1	Developed asset and risk insurance policy	% developed by 30 June 2006	0%	100%		25%	25%	50%	50%	75%	75%	100%	80%	Draft asset and risk insurance policy has been completed Policy is being reviewed and due to changes in the Grap accounting policies the necessary changes need to be effected
F11	Developed budget policy	% developed by 31 March 2006	30%	100%		40%	40%	80%	80%	100%	80%		100%	The final document will be forwarded to the next IDP, Budget Policy & Performance Management Strategic Committee
F11	Developed uniform tariff policy	% developed by 31 May 2006	0%	100%		5%	5%	75%	75%	100%	80%		100%	The final document will be forwarded to the next IDP, Budget Policy & Performance Management Strategic Committee
F1	Financial reporting	In terms of MFMA and DORA	80%	95%		80%	80%	85%	85%	90%	90%	95%	95%	
F1	Developed Investment policy	% developed by 31 March 2006	40%	100%		95%	95%	100%	100%					Policy fully developed Awaiting Council approval
	Implemented Restructuring Grant Programmes	% progress implemented	0% 100%			37%	2%	57%	7%	78%	16%	100%	55.10%	

DIRECTORATE: CORPORATE SERVICES

Vote: Finance and Administration (Human Resources)													
F2	Developed integrated human resources strategy	% developed by 31 March 2006	50%	100%		75%	75%	90%	90%	100%		100%	100%	
CC2	Implemented HIV/AIDS strategy	30% implemented by 31 December 2006	20%	100%		25%	25%	50%	45%	75%	60%	100%	85%	Employees not turning up for training and some Peer Educators selected just dropping out of the programme due to the normal work load and being called back to work during the programme attendance
F2	Turnaround time for disciplinary cases	No. of days to finalise	90 days	60 days		80 days	90 days	70 days	60 days met in 36 cases. 1 case took 102 days	60 days				Certain line depts have not reduced t/around time
F12	Implemented performance optimisation project for two directorates	% functional performance centres implemented by 30 June 2006	0%	100%		25%	25%	50%	30%	75%	40%	100%	30%	Establishment of centre for Office of Exec. Mayor was stopped due to restructuring Limited progress within engineers due to lack of co-operation/input from certain departments
Vote: Finance and Administration (IT)													
F7	Implemented IT strategies and policies	% implemented by 30 June 2006	10%	25%		15%	15%	20%	25%	22%	40%	25%		

Vote: Finance and Administration (IT)														
F7	Implemented GIS strategies and policies	% implemented by 30 June 2006	50%	80%		60%	60%	70%	70%	75%	75%	80%		Basic strategy to go to council for approval, but this is an ongoing document that gets regular amendments
F7	Resolved IT audit issues	% issues resolved by 30 September 2005	50%	90%		90%	90%		90%	90%	90%			
F7	Implemented Document Management System	% implemented by 30 June 2006	5%	50%		15%	14%	30%	5%	35%	35%	50%		Await Bid Committee approval
Vote: Finance and Administration (Other)														
F7	Approved Records and Archives Management Policy	Approved by council by 30 June 2006	0%	100%		25%	25%	50%	75%	75%	75%	100%		
F6	Established Customer Care/ Community Support Centre	One centre established	0	1		0	25%	0	0					
F6	Integrated Call Centre	% integrated by 30 June 2006	75%	100%		80%	80%	90%	90%	95%			100%	
F6	Developed Customer Care strategy	% developed by 30 June 2006	0%	100%		25%	25%	50%	50%	75%			100%	
F6	Reviewed Customer Satisfaction Index	% completed by 30 June 2006	100%	100%		25%	25%	50%	50%	75%			100%	80% of project complete project only commenced in July 2006 due to delays in procurement process
F6	Developed Service Delivery Charter	% developed by 28 February 2006	10%	100%		25%	25%	75%	90	100%				
F7	Reviewed Communica-tions Strategy	% completed by 31 March 2006	100%	100%		25%	10%	75%	75%	100%				Workshop not held due to delay in the approval of Restructuring Grant allocation. However planning for the workshops etc are well underway
Vote: Finance and Administration (Other)														
F7	Reviewed Media Strategy	% completed by 30 June 2006	100%	100%		25%	10%	75%	75%	100%				Workshop not held due to delay in the approval of Restructuring Grant allocation Planning for the workshops etc are well underway
F7	Developed Branding Strategy	% developed by 30 June 2006	0%	100%		25%	15%	50%	50%	75%			100%	90% of project complete workshop to be held with all stakeholders
	Implemented Restructuring Grant Programmes	% progress implemented	0%	100%	0%	32%	0%	60%	13%	73%			100%	75% of funding spent on projects

DIRECTORATE: DEVELOPMENT PLANNING

Vote: Planning and Development													
SI1	Reviewed Spatial Development framework	% reviewed by 30 June 2006	100%	100%		0%	10%	50% (First Draft reviewed SDF com-pleted)	50%	75% (Final Draft reviewed SDF com-pleted)	75%	100% (Reviewed SDF submitted to Council for ap-proval)	100%	

Vote: Planning and Development														
SI2	Turnaround time for processing of land sales applications (land administration)	No. of days to finalise	180 days	120 days		180 days	150 days	150 days	150 days	130 days	140 days	120 days	140 days	Staff turnover has resulted in this variance, two senior staff members resigned this resulted to backlog
SI5	Turnaround time for processing of building plans	% plan passed within 18 calendar days	55%	70%		55%	27%	60%	65%	65%	65%	70%	70%	
SI1	Township establishment approved by Council (municipal land)	Turnaround time for approval - months	9	8		9 (Town Planning Consultants appointed)	9	9 (First Draft layout from consultants received)	9	9 (Council approval for layout obtained)	9	8 (provincial government approval for layout obtained)	8	
SI2	General plan approval by Surveyor-General	Turnaround time for approval - months	6	5	8	8	8	8 (Planning consents obtained and land surveyors appointed)	8	8 (General plans submitted to Surveyor-General for approval.)	8 being met except for one settlement (Mahlangu)	8 (General Plans approved and handed to Land Admin.)	12 (All GP's approved except Mahlangu, Winnie Mandela andKwatshatshu)	Mahlungu and Kwatshatshu have community problems. Winnie Mandela - the consultants are experiencing capacity problems
	Implemented Restructuring Grant Programmes	% progress implemented	0%	100%		11%	10%	27%	15%	54%	34%	100%	35%	Some projects are still in the planning phase, whilst in others the service providers have been recently appointed
Vote: Housing														
SI6	Housing projects completed	No. of housing units completed		3748		205	100	1070	538	1223	397	1250	300	Slow housing delivery, Thubelisha Homes have been appointed as an implementating agent to construct houses for a number of housing projects They have replaced non performing contractors. Thubelisha Homes commenced construction at the end of April 2006 Progress has been delayed on certain projects whilst agreements are completed with DHLG
SI6	Completed Human Settlement Plan	% plan completed by 30 June 2006	0%	100%		0%	10%	25% (Consultants appointed)	15%	50% (First draft completed)	15%	100%	30%	In April 2006, a service provider was appointed The preparation of the Integrated Settlement Plan has commenced which will ensure progress and expenditure in the coming financial year

Vote: Housing														
SI6	Completed home owner education programme	% programme completed by 31 December 2005	20%	100%		60% (Consultations and workshops with various communities)	40%	100%	90%	100%	90%		90%	A draft document on home owner education has been completed, which will be discussed with the relevant sections and departments of the Municipality
Vote: Other (Bus and BCMET)														
SI10	New pedestrian facilities	No. of facilities	0	4		1 (East London)	0	2 (East London)	0	3 (Two in East London & One in Mdantsane)	4	4 (Two in East London & Two in Mdantsane)	4	Work complete
SI8	Improved Dimbaza Taxi Rank	% improvement	0%	100%		0%	5%	20% (Site establishment and surface preparation)	10%	50% (Rank extensions complete up to base course level)	0%	100%	10%	Designs complete Tenders to be invited
SI7	Finalised Integrated Transport Plan framework	% completed by 31 March 2006	0%	100%		20% (Draft outline submitted to MEC of Transport)	20%	60% (First draft of ITP complete)	60%	100%	85%		100%	Plan complete/final draft report submitted to Steering Committee 15/06/2006
SI7	Established Transport Authority	% establsihed by 30 June 2006	5%	75%		20%	20%	40%	40%	55%	40%	75%	40%	Awaiting meeting with National Department of Transport
	Provision of new roads facilitated	1		4		1		1		1		1		As mentioned previously, this function is not performed by Transport Planning and Operations

Vote: Community Services														
S3	Upgraded Inland community halls (KWT, Breidbach & Schornville)	Completion of upgrading as specified by June 2006	0%	100%		0%		25%	15%	60%	25%	100%	25%	BMS completed the Ilita Community Hall upgrading project Engineers Roads department are currently constructing an access road and parking facility Moses Twebe Community Hall has not commenced this financial year due to a delay of a structural report and the PMU not being able to undertake the work this financial year The balance remaining from the projects above was to be used on the completion of KWT Town Hall and Schornville Community Hall but has not commenced due to procurement, consultant and contractor problems The funds have been rolled over to the next financial year and projects will be reactivated
S3	Converted libraries to PALS system	% conversion by 30 June 2006	0%	100%	100%	0%	0%	25%	10%	65%	35%	100%	84%	Most networks have been installed and the balance remaining has been rolled over to the new financial year for the PALS continuation
S3	Upgraded EL Central Library	% upgraded by June 2006	0%	100%	100%	0%	0%	25%	10%	65%	20%	100%	30%	Contractors were appointed and the work had commenced very well A low percentage of expenditure is currently showing due to payments that still need to be processed for works that have been completed
S3	General survey of halls	Survey and assessment of 92 facilities by 30 June 2006	70%	100%		10%		90%	90%	100%	100%	100%	100%	Report accepted by Council Project complete
S3	Revised Halls Policy	% Completion and adoption of new policy	0%	100%		10%		70%	60%	90%	70%	100%	80%	Various postponements of SS Standing Committee meetings - workshoped in May 06
S3	Adopted new Culture and Heritage Policy	% completed and adopted new policy	0%	100%		10%		20%	10%	90%	15%	100%	15%	Implementation of Performance Management System took up allocated time

Vote: Community Services														
S3	Upgraded KWT Library	% upgraded	0%	100%	100%	0%	0%	25%	20%	85%	30%	100%	50%	Funds were redirected at the last financial year and in this financial year no allocation was made for the continuation of this project
E13	Commisioned Regional Waste Site & Central Transfer Station	% commissioned by 31 March 2006	20%	100%		50%	50%	65%	90%	100%	90%	100%	100%	Commissioning of the Regional Waste Site was done in February 2006 and the transfer station is still in the design stage Contractor has not commenced due to land acquisition challenge
E12	Coverage of waste management services	% of community receiving service	80%	90%		81%	80%	84%	80%	87%	80%	90%	84%	Rural areas do not receive waste removal but all urban areas receive once per week Service including new development
S3	Upgraded municipal sports facilities	No. of facilities	6	6		2	2	4	4	5	5	6	6	Buffalo Flats - astroturf complete- surrounding small projects ongoing Amalinda - complete perimeter fencing Established 2 new soccer fields and regrassed main fields and regrassed main field Newly grassed and fenced soccer field at Parkside with first class surface Topsoil, grassing and palisade fencing completed by end June 2006 Final handing over on 9 June 2006
S3	Increase animal collection at the Zoo	3 new species	100%	100%		0	0	33%	33%	66%	66%	100%	100%	Acquired a pair of yellow fronted Amazon Parrot and a zebra
S3	Developed community sports facilities in rural areas	No. of facilities	4	4		1	1	2	2	3	3	4	4	Masingata - upgraded turf “table” wicket - upgraded outfield (topsoil, levelling, etc). Re-established soccer field at Nompumelelo- topsoil, grassing, etc
S3	Upgraded and improved swimming pools	No. of swimming pools	2	2		1	1	2	2			2	2	Zwelitsha Pool - new floor with “notines” base, piping, chip-tiling, herringbone drainage system, marble finish KWT Pool heating plant re-instated
E2	Environmental rehabilitation	% rehabilitation	20%	100%	100%	40%	30%	60%	90%	100%	95%	100%	100%	Erection of fencing paving and plant rehab complete

Vote: Community Services														
E2iii	Development of nature reserves	% of development	0%	100%		0%	0%	40%	30%	90%	90%	100%	100%	Project for environmental services 100% complete Amenities given 30% of funding which still appears unspent
Vote: Community Services														
E13ii	Augmentation of Depots	% of depots developed	0%	100%	0%	0%	0%	60%	0%	90%	0%	100%	0%	No funding received
S3	Upgrading of crematorium	% of upgrading	0%		19%	0%	0%	20%	0%	80%	0%	100%	18.5%	A service provider has already been engaged through the bid committee Funds insufficient to continue with project
Vote: Public Safety														
S6	Reviewed Disaster Management Plan	% reviewed by 31 December 2005	Complete D.M. framework	100%	N/A	0%	0%	50%	70%	100%	70%	100%	90%	Currently aligning BCM framework to provincial framework
S6	Community education and awareness programmes	No. of programmes and campaigns	0	6	N/A	0	0	0	0	3	0	6	2	2 workshops held with councillors
S4	Increased traffic fine recovery	% revenue increased	3%	6%		2%	3%	4%	5%	5%	5%	6%	6%	Increase in the warrants of arrest executed
S5	Improved response time	No. of minutes taken to respond	3 minutes	100%		35%	15%	60%	20%	90%		100%	100%	Non-availability of resources
Vote: Health														
S1	Building of Sinebhongo clinic	% completed clinic building	0	100%	30%					5%	10%	25%	10%	Project will commence once the process of subdivision is completed
S1	Chronic medication provided	% roll out by clinics	0	100%						60%	100%	100%	100%	
S1	Health promotion campaigns	No. of campaigns undertaken	0	20		5	8	10	10	15	17	20	24	
S2	Developed standardised health by-laws	% draft by-law developed	0	100%		0%	0%	25%	25%	50%	50%	100%	100%	
CC4	Ensure establishment and maintenance of Health Information Management System	Installation of computers 28 clinics	10%	100%		25%	85%	90%	92%	100%	100%	0%	100%	Completed
E9	Air quality management & monitoring station	A developed Air Quality Management Plan	0%	100%		10%	9%	45%	45%	75%	75%	100%	75%	Draft Air Quality Management Plan to be designed before a full plan is developed
	Implemented Restructuring Grant Programmes	% progress implemented	0%	100%		22%	20%	75%	40%	65%	14%	100%	95%	Legal opinion for service still outstanding

Vote: Electricity														
SI29	Reduced HV electricity supply outage	No. of hours per major outage	4	4		4	3	4	3	4	3	4	8	Repeated cutting down of 11kv o/h lines to BRPS & Duncan Village Cable theft breaking into substations for copper theft
SI34	Improved lead times on repairs of streetlights	No. of days per faulty luminaire	5	5		5	7	5	7	5	7	5	7	Shortage of staff : Failure of HR to fill vacancies timeously Always have staff off sick, on leave on training courses
SI31	Time frame for provision of response to customer requests for new electricity supplies	No. of days to provide response	14	14		14	14	14	14	14		14	14	
SI31	Provision of electrical connection to low income households in BCM area of supply	Electrification of houses on registered erven (1 000 houses)	80%	80%		0%	0%	10%	0%	50%		80%	100%	Housing projects and areas for electrification were not finalised and therefore resulted in no homes being electrified in the second quarter
SI35	Reduction in overall electricity MWh losses	% reduction	2004/05 MWh Losses (1 MWH)	1%		0%	0%	0.25%	0.5%	0.5%		1%	0	
SI33	Electrification of schools in BCM	No. of schools	20	20		0	5	5	18	20	20	20		
S19	Development of maintenance programmes	No. of modules completed (10)	80%	80%		0%	20%	20%	40%	40%	80%	80%		
SI37	Regular maintenance of fleet	No. of vehicles serviced from those received	78%	80%		80%	82,7%	80%	80%	80%		80%	84	Supply problems via stores during Jan Budgetary shortages in several cost centres
SI37	Repair of fleet	No. of days to repair vehicle	Minor 3,7	4		4	3	4	4	4		4	4	
	Repair of fleet	No. of days to repair vehicle	Major 16,2	14		14	16	14	14	14		14	19	Several cost centres (notably cleansing) suffered shortages of funding which caused delays in the higher cost and larger repairs during 2006
	Implemented Restructuring Grant Programmes	% progress implemented	0%	100%		11%		41%	6%	67%	30%	100%	10%	Delays in national decisions on RED"S resulted in postponement of electrical ring fencing

Vote: Water Services														
SI24	Expanded water services	No. of villages to RDP standard	5 Villages	20 Villages		0%	0%	0%	0%	50%	50%	100%	100%	
SI18	Reduced unaccounted for water by 50%	(Kl billed & known unbilled items) (Kl purchased & produced)	44%	22%		44%	44%	44%	44%	44%	38%	34%	34%	
SI24	Improved metering in unmetered areas	% improvement	2%	40%		2%	2%	10%	10%	20%	20%	40%	40%	
SI17	Completed s78(1) process	Council approval by 30 June 2006	60%	100%		60%	60%	70%	70%	80%	80%	100%	80%	Still to go to Council
SI16	Finalised water by-laws	% finalised by 30 June 2006	10%	100%		10%	10%	30%	30%	60%	60%	100%	70%	Busy with process
SI16	Finalised water services policies related to by-laws	% finalised by 30 June 2006	10%	100%		10%	10%	30%	30%	60%	60%	100%	70%	Busy with process
SI18,19,23	95% of water capital budget spent	% spent	38%	95%		0%	0%	25%	25%	50%	50%	95%	95%	
	80% of WSDP current year projects completed	% completed		80%		0%	0%	15%	15%	40%	60%	80%	80%	
SI23	5% reduction in water bursts	% reduction	100%	95%		95%	95%	95%	5%	95%	95%	95%	95%	
SI24	85% of preventative maintenance current year projects completed	% completed		85%		0%	0%	15%	15%	40%	40%	85%	85%	
SI21,22	Reduce number of contraventions of DWAF license requirements	% reduction		25%		0%	0%	6%	6%	12%	12%	25%	25%	Busy with remedial measures at Central Treatment Works
SI24	95% of water infrastructure replacement budget spent	% spent		95%		0%	0%	25%	25%	50%	67%	95%	95%	
SI17	Council decision on section 78(1) outcome	Council approval by 30 June 2006		100%		0%	0%	0%	0%	50%	0%	100%	0%	100% when submitted to Council
SI17	Fully capacitated efficient water services institution established in terms of establishment plan	% of vacancies filled by trained competent personnel	40%	100%		40%	40%	50%	50%	60%	60%	100%	60%	Dependent on restructuring and funding

Vote: Water services														
SI 15	Create and capacitate an optimum structure within the municipality to manage the Water Service Authority function by 2006	Appoint Water Service Authority staff.	Appoint 2 people	Appoint 2 people		0%	0%	100%	50%	100%	100%	100%	100%	Manager and administrative person appointed
SI 15	Create and capacitate an optimum structure within the municipality to manage the Water Service Authority function by 2006	Implement the Water Service Authority Capacitation business plan (WSACBP)	10%	70%		10%	10%	30%	30%	50%	50%	70%	70%	
		Secure the required internal & external funding to capacitate as a WSA	Finance the WSACBP	50%		10%	10%	20%	20%	30%	30%	50%	50%	
SI 15	Create and capacitate an optimum structure within the Municipality to manage the Water Service Authority function by 2006	Establish an inter-directoral planning committee at BCM to enhance water service development	Develop WSACBP	A WSACBP		0%	0%	30%	30%	60%	60%	100%	100%	
SI 16	Review the Water Service Development Plan in conjunction with IDP development and review	Develop a generic review programme and implement the annual review using standing water service forums in conjunction with IDP development & review	100%	100%		10%	10%	20%	20%	30%	60%	100%	100%	
Vote: Water Services														
SI 17	Create and capacitate an optimum structure within the Municipality to manage the Water Service Provision function by 2008	Take transfer of DWAF water service infrastructure, staff and assets by June 2005	20%	100% by Jan 2006		50%	50%	60%	60%	100%	90%	100%	90%	DWAF HR issues outstanding
		Complete the Section 78 assessment for water service provision by December 2005	60%	100%		60%	60%	70%	70%	80%	100%	100%	80%	Awaiting approval of Facilitation Committee
		Improve service delivery payment levels and credit control in partnership with other BCM depts.	0%	40%		10%	10%	20%	20%	30%	30%	40%	40%	Being done via WMIS with DOF

Vote: Water Services														
SI 18	10 years surplus yield for the upper, middle and lower Buffalo Schemes and 5 years surplus yields for all local schemes by 2008	Implement a water management programme in urban areas to reduce water losses focusing on Mdantsane and Duncan Village	10%	50%		10%	10%	20%	20%	30%	60%	50%	60%	
SI 18	10 years surplus yield for the Upper, Middle and Lower Buffalo Schemes and 5 years surplus yields for all local schemes by 2008	Formalise water service supply agreements with Amatola Water & ADM to secure adequate yield concerning shared water resources	Agreement	Agree-ment		0%	0%	0%	0%	0%	10%	100%	100%	
SI 19	Ensure sufficient surplus water infrastructure capacity is available to sustainability and reliably meet existing and expected development needs throughout BCM by 2008	Develop a model and undertake a detailed analysis of the bulk system to identify possible areas of surplus capacity and supply constraints	20%	100% (Umz zones only)		20%	20%	40%	40%	60%	60%	100%	100%	
		Progressively upgrade existing and build new infrastructure, focusing on areas with current shortages & identified dev. areas	5%	10%		0%	0%	2%	2%	5%	5%	10%	10%	Inadequate capital financial constraints
SI 20	Sufficient surplus sewerage infrastructure capacity, to sustaiably and reliably meet existing and expected develop-ment needs throughout BCM by 2012	Progressively upgrade existing and build new infrastructure, focusing on areas with current shortages and identified development areas	Investigate Proposals and Strat-Plan	Strat-Plan		0%	0%	30%	30%	60%	60%	100%	100%	Busy with the diversion of Central and doubling capacity at Gonubie Treatment Works
SI 23	An efficient functioning and well-maintained water and sewerage infrastructure network by 2013	Develop and implement a routine and preventative water and sewerage infrastructure maintenance programme	20%	40%		20%	20%	25%	25%	30%	30%	40%	40%	Financial constraints
SI 23	An efficient functioning and well-maintained water and sewerage infrastructure network by 2013	Refurbish or replace key infrastructure using an area based approach	0%	10%		0%	0%	2%	2%	5%	5%	10%	10%	
SI 24	Reduce water backlog by 80% by 2007 and eliminate entire backlog by 2008	% Implemented approved Water Services Development Plan projects	5%	10%		0%	0%	2%	2%	5%	5%	10%	10%	Financial constraints
SI 25	Reduce sewerage backlog by 50% by 2008 and eliminate entire backlog by 2010	% implemented approved WSDP projects	5%	10%		0%	0%	2%	2%	5%	5%	10%	10%	

Vote: Roads and Storm water														
SI11	New roads and stormwater constructed	No. of kilometeres		20kms		0kms	0.0	6.0	0.0	15kms	0.0	20kms	0.0	EIA process held up start of construction on Quenera Drive The 20km of new roads is now considered unrealistic
SI11	Roads maintained	No. of kilometeres	400km	400km		100	50	100	123	100	228	100	309.0	Target may be too high
SI11	Stormwater system upgraded or maintained	% upgraded or km maintained	3% or 200km	5% or 200km		1%	1%	1%	91km	1%	147km	2%	182km	OK - note amendment
SI12	Job creation opportunities (Extended Public Works Program)	No. of jobs created	0	150		0	0	50	0	100	30	150	In excess of 150	EPWP learnerships have begun 30 students are enrolled
SI12	Extended Public Works Program learnership programme	No. of emerging contractors	0	10		10	10	10	10	10	30	10	30	EPWP learnerships have begun 30 students are enrolled

Glossary

ADM	Amathole District Municipality
ATICC	Aids Training, Information and Counselling Centre.
BCM	Buffalo City Municipality
BCMET	Buffalo City Metropolitan Transport Area
CBO	Community Based Organisation
CEO	Chief Executive Officer
DLGH	Department of Local Government and Housing
DHLG&TA	Department of Local Government , Housing & Traditional Affairs
DWAF	Department of Water Affairs and Forestry
ECDOH	Eastern Cape Provincial Department of Health
EHS	Environmental Health Services
GAMAP	Generally Accepted Municipal Account Practices
GDP	Gross Domestic Product
HTA	High transmission area
IDP	Integrated Development Plan
IDZ	Industrial Development Zone
ILGM	Institute of Local Government Management of South Africa
IMPRO	Institute of Municipal Public Relations Officers
ISDI	Industrial Spatial Development Initiative
KWT	King William's Town
LED	Local Economic Development
LGSWETA	Local Government Water & Related Services SETA
LSDF	Local Spatial Development Framework
MFMA	Municipal Finance Management Act
MTREF	Medium Term Revenue and Expenditure Framework
MoU	Memorandum of Understanding
MURP	Mdantsane Urban Renewal Programme
NEPAD	New Partnership for Africa's Development
NGO	Non-government Organisation
PMTCT	Prevention of mother to child transmission
SALGA	South African Local Government Association
SIDA	Swedish International Development Agency
SMME	Small, Medium & Micro Enterprises
TLC	Transitional Local Council
VCT	Voluntary counselling and testing
VCTC	Voluntary couple testing and counselling

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BUFFALO CITY MUNICIPALITY

Internal Audit, Compliance and Governance
Three Year Internal Audit Plan 2006/2007, 2007/2008 & 2008/2009.

and

Annual Internal Audit Plan

1. INTRODUCTION

The Institute of Internal Auditors defines internal auditing as follows:

"….. an independent, objective assurance and consulting activity designed to add value and improve organisations' operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

Purpose of this Document

This document sets out the Internal Audit Plan for the period 2006/7 to 2008/9 for consideration and approval by the Audit Committee. The plan incorporates:

- Annual Internal Audit Plan for the financial year ending 30 June 2007
- Strategic three-year rolling Internal Audit Plan

The Internal Audit Plan was designed to provide an independent, objective assurance and advisory service, in an efficient and effective manner, to the following key stakeholders:

- Audit Committee
- Accounting Officer
- Top Management Team and
- Line Management

The overall approach was to formulate a risk-based plan to align the priorities of the Internal Audit Unit with the strategic objectives and goals of the Buffalo City Municipality and the related strategic and major business risks as identified by Management.

2. INTERNAL AUDIT – ROLE AND RESPONSIBILITIES

The Internal Audit Unit evaluates and contributes to the improvement of governance systems, risk management and control.

Governance

The Internal Audit Unit assists Management in achieving goals of the Buffalo City Municipality by evaluating the process through which:

- Goals and values are established and communicated
- Risk and control information is communicated
- The accomplishment of Municipal Performance goals is monitored
- Accountability is ensured and corporate ethics and values are preserved

Risk Management

Internal Audit Unit assists Buffalo City Municipality in facilitating the risk management process. This includes assisting management in identifying, evaluating and assessing significant strategic and organisational risks, and the monitoring thereof.

Controls

The Internal Audit Unit evaluates whether the internal controls upon which Management relies to mitigate the risks to acceptable levels, are appropriate and functioning as intended and develops recommendations for enhancements or improvements in the control environment.

The Internal Audit Unit is authorised to:

- Have unrestricted access to all functions, records, property and personnel
- Have full and uninhibited access to the Audit Committee
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives
- Obtain the necessary assistance of personnel directorates and departments of Buffalo City Municipality where they perform reviews, as well as other specialised services from within or outside the Municipality

The Internal Audit Unit is not authorised to:

- Perform any operational duties for Buffalo City Municipality
- Initiate or approve accounting transactions external to the Internal Audit Unit
- Direct the activities of any municipal employee not employed by the Internal Auditing Unit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors in carrying out investigations

The Internal Audit Unit will conduct audits in accordance with the "Code of Ethics" and "Standard for the Professional Practice of Internal Auditing" of the Institute of Internal Auditors as well as relevant Municipal legislation.

Other Internal Audit Responsibilities/Activities

Additional internal audit activities include:

Planning and Reporting

Planning and reporting activities of the Internal Audit Unit include amongst others:

- Preparation of a strategic three year internal audit plan
- Preparation of a detailed annual internal audit plan
- Liaison with top management, external auditors and key stakeholders
- Reporting to the Audit Committee and management
- Follow-up on reports issued

Project Management

Project management activities of the Internal Audit Unit include amongst others:

- Organising and directing audit staff, including monthly internal audit management meetings
- Review of working papers and reports
- Monitoring actual activities against plan
- Quality assurance reviews

Consulting Services

Advisory service activities of the Internal Audit Unit include amongst others:

- Providing assistance and expertise on either newly developed systems or improving current systems
- Assisting management with facilitation of risk assessments and the implementation of a formal system of risk management
- Act as a "sounding board" to management for ad-hoc projects

Management Responsibilities

Management is responsible for the establishment and maintenance of an effective system of governance, risk management and internal control.

The objectives of the system of internal control are, inter alia, to provide Management with reasonable, but not absolute, assurance that:

- Risks are properly managed
- Assets are safeguarded
- Financial and operational information is reliable
- Operations are effective and efficient
- Laws, regulations and contracts are complied with

The principal safeguard against fraud, misstatement and irregularities is an effective system of internal control. It must, however, be recognised that there are inherent limitations in any system of internal control – including human error and circumventions through collusion. The prevention and detection of fraud is therefore Management's responsibility.

2006 to 2007

1. Institutional Performance in accordance with the I D P

Audit Objectives/Approach:

The purpose of this audit is to determine the adequacy and effectiveness of controls instituted to ensure the completeness and reliability of information used to measure performance indicators in accordance with the Municipal Systems Act and the Performance Management Regulations.

Risk Level

Statutory audit.

2. Supply Chain Management System

Audit Objectives/Approach

This audit will focus on a review of the entire Supply Chain Management System, including an evaluation of the controls and the operation of the committee system.

Risk Level

The risk level is high and the value is high.

3. Bid Committees

Audit Objectives/Approach

This audit will focus on a review of the operations of the Bid Committee system.

Risk Level

The risk level is high and the value is high.

4. Compliance with MFMA

Audit Objectives/Approach

The purpose of this audit is to determine the level of compliance with the selected provisions of the MFMA and related regulations.

Risk Level

The risk level is high.

5. DORA

Audit Objectives/Approach

The purpose of this audit is to determine the adequacy and effectiveness of internal controls over the accounting for and use of funds allocated by other spheres of government.

Risk Level

Statutory audit.

6. Facilitation of a Risk Assessment and Risk Management Framework

Audit Objectives/Approach:

The purpose is to facilitate Risk Assessment workshops as initiated by Management to identify operational and process risks requiring attention

7. Receipting and Reconciliation

Audit Objectives/Approach

This audit encompasses all activities regarding the management and physical control of cash and negotiable items. The control objectives include internal controls which ensure proper receipting, balancing and depositing of cash (proper control, accounting, and processing of cash related transactions), safeguarding against waste, loss, unauthorised use and misappropriation, adequate controls over imprest funds, timeous uploading of cash, systems to ensure all cash receipted is correctly uploaded and balance to the ledgers and accounts

Cash pick up procedures - The purpose of this audit is to determine the extent of the controls over the collection of municipal funds by both private contractors as well as the City Police and the compliance by Directorates therewith

Risk Level

The risk level is high, and the value is high.

8. Stock Take

Audit Objectives/Approach

The purpose of this audit is to determine the adequacy and effectiveness of internal controls over the stock take procedure including stores related procedures.

Risk level

The risk level is moderate, but the value is high.

9. Procurement, Contract Administration and Reconciliation of Creditors

Audit Objectives/Approach

The purpose of this audit is to determine the adequacy and effectiveness of internal controls over the procurement procedures. It includes the review of procedures and systems involved in contracts and consultancy appointments, the review of contract agreements, solicitation and competitive bidding, awarding, contract administration, payment certificates, compliance with contractual terms, retention etc. Management and physical control of creditors payments and reconciliations as well as internal controls which ensure prompt reconciliations, reviews, and managerial oversight will also be covered.

Risk Level

The risk level is moderate, but the value is high.

10. Printing

Audit Objectives/Approach

The purpose of this audit is to determine the adequacy and effectiveness of internal controls over the printing of face value documentation.

Risk Level

The risk level is moderate, but the value is high.

11. Internal Control Review - Human Resources System

Audit Objectives/Approach

This audit will focus on a review of the Human Resources System, including an evaluation of the controls including input controls over data received for processing, proper authorisation, reasonable assurance that data processing has been performed as intended for the particular application, that all transactions are processed as authorised, that no authorised transactions are omitted, and that no unauthorised transactions are added. Internal controls over leave applications and recording will also be reviewed.

The following other will also be covered –

Staff terminations - adequacy and effectiveness of internal controls over staff terminations.
Occupational Health and safety - adequacy and effectiveness of internal controls over occupational health and safety including, compliance with policies and procedures.
Staff induction - the adequacy and effectiveness of induction procedures followed for newly appointed staff.

Risk Level

The risk level is high and the value is high.

12. Traffic Enforcement and Traffic Impounded Vehicles

Audit Objectives/Approach

The purpose of this audit is to determine the adequacy and effectiveness of internal controls over traffic administration through a review of the systems. The adequacy and effectiveness of internal controls over impounded vehicles and workshops will also be reviewed.

Risk Level

The risk level is moderate, and the value is moderate.

13. Pharmacy

Audit Objectives/Approach

The purpose of this audit is to determine the adequacy and effectiveness of internal controls over the Health Department's pharmacy including operational efficiency. The procedures relating to the issue of drugs within clinics will also be reviewed.

Risk Level

The risk level is high and the value is moderate.

14. Libraries

Audit Objectives/Approach:

The purpose of this audit is to determine the adequacy and effectiveness of internal controls in the department including proper review and compliance with policies and procedures.

Risk Level

The risk level is low, and the value is low.

15. Vehicle Registration

Audit Objectives/Approach:

The purpose of this audit is to determine the adequacy and effectiveness of internal controls in the department including proper review and compliance with policies and procedures.

Risk Level

The risk level is moderate, but the value is high.

16. Market

Audit Objectives/Approach:

The purpose of this audit is to determine the adequacy and effectiveness of internal controls in the department including proper review and compliance with policies and procedures.

Risk Level

The risk level is moderate, but the value is high.

17. Transport

Audit Objectives/Approach:

The purpose of this audit is to determine the adequacy and effectiveness of internal controls in the department including proper review and compliance with policies and procedures. This audit is conducted on request.

Risk Level

The risk level is high and the value is low.

18. Mechanical Workshops

Audit Objectives/Approach:

The purpose of this audit is to determine the extent of the controls over the use of municipal vehicles both during and after hours as well as the hiring of vehicles and plant and the compliance by directorates therewith. It will also include evaluations of the controls over repairs and maintenance of vehicles and on a spot basis verification of fleet.

Risk Level

The risk level is moderate, but the value is high.

19. Cash Receipting Points

The purpose of these audits is to determine the adequacy and effectiveness of internal controls in the department including proper review and compliance with policies and procedures. This audit is conducted on request.

Risk Level

The risk levels vary from high to moderate.

BUFFALO CITY MUNICIPALITY Cash Receipting Points			
	Cash Point	Requested	Recommended
	Social Services		
	Art Gallery		
	Arts and Cultural Services - Admin Support		
	Aquarium	•	
	Arts and Cultural Services - Coastal Halls		
	Hall Hire	•	
	Beach Orient Ticket Office		
	Gonubie Caravan Park		• [follow up]
	Nahoon Caravan Park		•
	Cambridge Cemetery		•
	James Pearce Park Nursery		
	Main Library - Lending	•	
	Various Libraries.	•	
	Joan Harrison Swimming Pool		• [follow up]
	Ruth Belonsky Swimming Pool		• [follow up]
	Zwelitsha Swimming Pool		• [follow up]
	Zoo Office	•	
	DSS Office - Social Services		
	Queens Park - Admin		
	Public Safety - Admin		
	Vehicle Licenses [various]	•	
	Gonubie Licensing [various]	•	
	Fire Department		
	City Police P/C		
	Health - Admin Office		
	Engineering Services		
	Engineers - Quantum		
	Electricity		
	Finance		
	Accounting Office		
	Chief Financial Officer		
	Berlin Office	•	
	Cashiers.[various]	•	
	Beacon Bay Cashiers	•	

BUFFALO CITY MUNICIPALITY Cash Receipting Points			
	KWT Cashiers	•	
	Market - Cashiers	•	
	Bisho Cashier	•	
	Dimbaza Cashier	•	
	Ilitha Cashier	•	
	Zwelitsha Cashier	•	
	Phakamisa Cashier	•	
	Pay Office		
	Stores - Office		

	Corporate Services		
	Human Resources Office P/C		
	Organisational Support		
	Executive Mayor		
	IDP		
	Mayor's Secretary		
	Development Planning		
	Bus drivers	•	

It is not clear that all requests can be accommodated but they will be slotted in where time permits.

20. Auditor-General's Report

This work will focus on the presentation of the Auditor-General's report to the Audit Committee and Council.

21. Audit Committee Support

NOTE

The implementation of the above work is reliant upon the appointment of qualified staff to prepare and perform the audit work.

The work listed above is referenced to the Risk Assessment which was completed during the 2005 to 2006 financial year.

No	Strategic Risk Schedule	Where covered
1	Inefficient debt recovery	Cash Receipting Billing, etc to be done in another cycle
2	Inadequate / Inappropriate skills resulting in: - Non compliance to policies and procedures - Lack of accountability - Poor service delivery - Insufficient funds to provide training - Incorrect and inaccurate qualifications - Safety and health hazard - Legal liability - Insufficient experience	Covered in Human Resources and a number of other audits
3	Misuse of power - Roles and responsibilities of all concerned - Pressure to make decision - Power struggle / Conflict of interest	Not covered
4	Inability to grow the economic base of the City as a result of: - Macro economic environment - Closure of current business - Inadequate development planning - Unemployment - Globalisation - Competitiveness - Currency fluctuation	Not covered
5	Lack of financial resources - Insufficient funds to provide training - Poor service delivery - Ageing infrastructure (capital funding)	Not covered
6	Occupational Health and Safety Risks	Covered in Human Resources and a number of other audits
7	Ineffective utilisation of assets / resources - Attendance of inappropriate meetings - Inadequate systems and tools - Improper allocation of the budgetary process and organogram	Market, Transport, Mechanical workshops
	Inappropriate design of municipal structure - Scope of responsibility too high - Split responsibility	Not covered
9	Aging infrastructure - Sustainability of delivery	Not covered other than a portion under Mechanical workshops
10	Scarcity of skills	Covered in Human Resources and a number of other audits
11	Lack of proper channels of communication - Delay in response time - Lack of communication channels across the municipality	Not covered To be covered in a future cycle
12	Non compliance with policies, procedures and bylaws.	Institutional Performance, Supply Chain Management, compliance with MFMA and Division of Revenue Act as well as other audits
13	Non compliance with legislation	Institutional Performance, Supply Chain Management, compliance with MFMA and Division of Revenue Act as well as other audits
14	Reputation risk - Misunderstanding of local government by the public - Lack of customer care - Unrealistic expectations in terms of job creation, etc. - Negative perception	Not covered
15	HIV / AIDS - Loss of productivity / expertise	Covered in Human Resources and a number of other audits

No	Strategic Risk Schedule	Where covered
16	Poor service delivery - More time doing paper work than service delivery - Poor productivity - Ageing infrastructure - Absenteeism (use of temporary untrained staff) - Lack of commitment - Inadequate budgets	Market, Transport, Mechanical workshops
17	Improper allocation of funding - Core functions of the Municipality - How realistic / will it be able to meet the strategic objectives	Not covered
18	Lack of strategic direction	Not covered
19	Failure by Provincial / National / District Government to perform its functions / duties	Not covered
20	Failure to broaden the economic base	Not covered
21	Socio-economic risks: - Crime - Vandalism - Tampering	Not covered
22	Ineffective integration/co-ordination resulting in: - SILO management/mentality - Territorial disputes	Not covered
23	Over complicated and outdated internal control systems - Technological innovation	Included in almost all audits undertaken
24	Established Municipal entities not achieving their objectives	Not covered
25	Sustainability of labour cost: - Increase in the labour cost resulting in a decrease in services being delivered	Covered in Human Resources and a number of other audits
26	Strategies not aligned to mission and vision	Not covered
27	Poor governance resulting in fraud and corruption: - Non compliance with policies and procedures - Existence of employee on payroll - Unauthorised system changes - IT, errors - Lack of internal controls across the board - Human factor - division of duties - Collusion between developers and staff During land disposal.	Included in almost all audits undertaken
28	Low staff morale as a result of: - The transition at the municipality - Outdated equipment - Overregulation - Political interference - Uncertainty of direction - Lack of capacity - High stress levels	Not covered

No	Strategic Risk Schedule	Where covered
29	Unfunded mandates - Performance of service delivery not in terms of mandate - Performance of functions on behalf of other spheres of Government	Not covered
30	Inadequate management of service providers - Poor service delivery - Reputation risk - Labour disputes - Sustainability of services (continued use of contractors)	Not covered
31	Change in legislation	Not covered
32	Lack of management of transformation risk	Not covered
33	Impact of RED's - Loss of income for the Municipality	Not covered
34	Inability to take decisions as a result of: - Over regulation - Bureaucracy - Lack of accountability - More time doing paper work than service delivery - Lack of delegation	Not covered
35	Theft and abuse of Council's assets	Included in almost all audits undertaken
36	Inadequate stakeholder buy-in	Not covered save to extent it fits in with the Institutional Performance Management audit
37	Loss of staff	Covered in Human Resources
38	Lack of performance	Not covered save to extent it fits in with the Institutional Performance Management audit
39	Unsustainability of environmental management	Not covered

TRAFFIC